

20 years of
MAKING



AN IMPACT
Hans
Korfmacher



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Former Director Environmental External
Relation and Global Sustainability
Gillette Company, Boston

Dear Hans, we are celebrating this year the 20th anniversary of founding ERP Société Anonym as a French Company, which was based in Paris. You have been one of the founding drivers. Could you tell us, when – from your memory – the idea for the establishment of a **European Recycling Platform started?**

H.K. The idea to establish **product recovery services** occurred in my mind **first around 1988**. I worked at my master thesis in chemistry and researched the distribution of heavy metals in the residues of a municipal waste incinerator in Germany. I had statistically to review the waste input and measured the heavy metals in the residues like ashes, dust from the air cleaning system etc. One need to keep in mind, that in 1988 most electrical appliances, batteries, even lead batteries without the acid **were burned in waste incinerators**. So, it was not a big surprise, that I found a clear correlation between the number of appliances in the waste-input-stream and the toxic heavy metals in the residues.

Contemplating this I thought that a **separate collection and treatment of appliances, batteries and other materials**, that contain toxic materials such as heavy metals, but also plastics, which cause the creation of dioxin etc. **would be valuable to the societies** and a strategy to minimize and stop the distribution of toxic materials into our environment, which at the end is a measurement to **protect our health.**“

Was the German AG Cycle the blueprint **for the future European Recycling Platform?**

H.K. Not really. AG Cycle was the learning room in which we worked with all players in the complex process of the collection and recovery of electrical and electronic equipment (EEE). This learning process was key for the further developments. However, **at one moment the idea of ERP was initiated**: In fall 1994 – I was just elected as chairman of AG Cycle – I had a very creative conversation with the at that time Governmental Affairs Manager of Hewlett Packard (HP). We discussed the complexity of product recovery services when he suddenly said: “Wouldn’t it be good to establish a **pan-European structure**, which is in competition with other e.g. national schemes?” I was electricized and said: “Absolutely, that would be a **perfect strategy!**”

The simple reasoning was, that a European structure would work much **more efficient** than any national monopoly because of lower overhead cost. Since 1992 we learned with lot of pain, that a monopoly on packaging take-back and recovery services can be a roadblock to industry, because it's very expensive and acts usually arrogant in operation. We at AG Cycle were looking for an alternative approach. We were convinced that competition is a driving force to drive cost down and quality up. From my perspective, this conversation **30 years ago** was the starting point to **develop a European Recycling Platform** and the related strategies. However, looking back, it was easy to talk about it, but it took another 10 years to make it happen, because of the complexity to establish such an operation.“

Wow, so from the first idea to the establishment of ERP it took you 10 years. Who has such a standing to run such long-term project? **And what have been the main challenges on the road of your success?**

H.K. In a way also the experience of several setbacks promoted the process, such as the sad fact, that the German IT-Take-Back-Directive was never enforced. Of course, we were disappointed after many years of work. But **this setback opened the path to work on a European strategy**. One must always see the opportunities of a failure.“

But didn't you lose the connection to the community of the EEE companies, **because you were working now in a different market segment?**

H.K. No, because the objective was still the same. As my friend Klaus Hieronymi, Director of Environmental Affairs for HP in Europe, collected at that time lot of data of operating or planned national WEEE schemes. In April 2001 we agreed to meet for a 3-day brainstorming session on Burg Schönburg, a castle in Germany. On the first two days we put all our data about operating WEEE and Battery Take Back Systems on the table and estimated, that **we could operate a European Recycling Platform for less than 10% of their cost** with full control of the applied recycling technologies. This was mind blowing. Instead of paying several Euro to a WEEE system in a country to cover the take back obligation of let say a computer or shaver, we estimated, that

it would be possible to do that for some ten cents. We also reviewed the markets of metal raw materials and forecasted: The prices for copper, silver, platinum etc., the metals used to produce new appliances will skyrocket in the next 10-20 years, which could mean, that WEEE would contain a lot of value to pay for the take-back and recycling processes. And exactly this has happened.“

Why is competition law so **important for such a planning?**

H.K. Well, our idea was, that a certain number of EEE producer would collaborate on purchasing logistic and recycling services at a defined quality level. Such a **collaboration** is **regulated by competition laws** in order not to disturb the market of logistic and recycling service in this specific area. From Mrs. Mattfeld we learned that it would be highly recommended to notify such a planning to the EU Directorate General Competition (DG Competition). And she recommended not to start only with IT companies, but to **broaden the scope** to small and large household appliances, TV and entertainment appliances etc. With this knowledge we invited immediately environmental managers from companies we knew, who were thinking similar. Over the next few weeks, we had many meetings and at the end it turned out, that Electrolux, Gillette/Braun/Duracell, Hewlett Packard and Sony had **the will to cooperate** on **such a plan**. Because at the end of the day, the top management of companies must agree to such a strategy. And yes, we convinced internally the CEOs, Presidents and Vice-Presidents of the four companies to start this process in a very formal way which was kicked off with a Cooperation Agreement.“

At this point this was not just a project anymore of some motivated environmental managers, **but of four global players?**

H.K. Yes, if you want to set up a joint venture of any kind with other companies you need to convince the leaders of the participating companies. I remember well the day when I presented the project to Bernhard Wild, CEO of Braun, in Kronberg, Germany. He listened to the presentation and answered in a way, that first sounded weird. He said: “Hans, you have an absolute crazy idea – a European operation. And you cannot promise that it will fly, because nobody has done it before. However, it’s such a smart idea, that we support you. Whenever you need my support, let me

know.” This meant also that he ensured a budget for this project which I didn’t have until that moment. So I was flashed by such a management capability and Bernhard Wild became very important to bring ERP on the road. He served several years as the chairman of the Board of ERP SA with the other members, who I want to mention here, as they all played an important role: Serge Foucher, VP Sony Europe, Reinhard Winkler, VP HP Supply Chain and Wolfgang König, CEO Electrolux Europe.

To my knowledge Klaus Hieronymi, Viktor Sundberg and Etori-san had similar meetings, so that we got a strong push from the top-management on the project. A Cooperation Agreement was worked out with the lawyers of the four founding companies, signed November 28th 2001 at a high-level meeting at Sony Headquarter in Berlin and notified to DG Competition, Brussels, on December 11th 2001 with the clear statement, that the envisaged European Recycling Platform **would not grow larger than 30% market share to ensure competition**. After some more meetings at DG Competition we were mentioned as an example of best practice in a EU DG Competition Review 2003. That was a great acknowledgement, **but then the real work started.**“

What do you mean with **real work**?

H.K. We had to **develop a detailed business plan**, which requires the analysis of the respective markets, market players, identify service partners, the cost of various services and the breakdown to the level of envisaged services prices per piece of appliance. As of January 2002 about 200 people from the four companies started to collaborate in specific working groups to search for necessary data, provide analysis and planning. It’s like setting up a new operation. It was a lot of work – and a lot of fun. Klaus, Viktor, Etori-san and I formed a Steering Committee to coordinate the activities. The group appointed me to their chairman, and we contracted the Brussels Association Management Company Interel, which assigned Ferial Saouli to be our coordination officer. Without her, we would not have been able to finish the planning and later the first operation so smoothly. She worked for ERP until 2010.

In spring 2003 we presented a full business plan to the senior managers of our companies. It turned out that the cost efficiency was even larger than estimated by Klaus and me in 2001. But we also learned that the Boards of the four companies, who had finally to agree to the plan, would do so only if the plan became verified by external consultants. I must say, I was a little upset with this approach, because I felt a kind of mistrust in the first moment and our timeframe was very little. But looking backward it was the right approach. In April 2004 Accenture Paris presented their analysis of our business

plan. They found that our calculations for the business plan was very conservative and **identified even more opportunities to optimize and reduce cost**. This was the **first breakthrough**. Because now we had a certified analysis to be presented to the top management – CEO’s, CFO’s etc. – of the four companies. I remember that I did this presentation to a Board meeting of Gillette Inc., which took place at Braun Headquarter, Kronberg. It was short and smooth. And we got the full support we needed. To my memory similar meetings took place at the other three companies as well.“

What convinced the senior managers of the four companies most **from your perspective?**

H.K. From a strategic point of view, it was the opportunity to **turn a legal requirement into a business opportunity**. It was the strategy to turn an obligation, which would cost a lot of money to the producer and consumer of appliances, into a market opportunity while ensuring a high quality of recovery services. Because if the take back and recovery cost for an electric shaver is just few cents instead of a Euro or more you don’t have to put this cost forward to your customers who also would not have to increase prices etc. And by ensuring competition between several product recovery service schemes, we would put enough market pressure on the ERP operation itself, so that it would stay competitive. On the other side we guaranteed that the operation would meet the best available logistic and recycling standards as we would control them, so we could promote this as a great contribution of the companies to make industry sustainable. It was a win-win project to everybody. And yes, Duracell, Braun and Gillette Management was very happy about it.“

You then founded ERP as a company? **Why in Paris?**

H.K. After the green light from the senior management of the four companies we **founded ERP as a joint venture of Electrolux, Gillette/Braun/Duracell, HP and Sony**. Our lawyers worked out the company rules and it turned out that HP had a sleeping Société Anonym in their shelf. We picked this up, changed the company status and founded ERP SA, Paris in November 2004. The shareholder appointed me as the first president of ERP SA. For a few seconds I felt proud, that this 10-year project was now going live. It was a little bit like a birth. However, I also realized quickly that we had from now on to deliver results and get operations and permits for operations around Europe. This was huge a task, because in August 2005 the WEEE Directive became effective. We had just 9 months to bring the operation on the road.“

Wow, this is a short timeline. You had just created a company as a more or less empty shell and needed to become operational within 9 months? That's a challenge.

How did you manage this?

H.K. Fortunately, we had worked on a good strategy before: We split Europe into two pieces – west and east – and **selected two general contractors** to operate the logistic and contracting of recycling companies following the standards we defined. Second, **we created daughter companies of ERP SAS in nine European countries** which would cover around 80% of our WEEE market. This have been the big five: UK, France, Spain, Italy and Germany and the neighboring countries Portugal, Austria, Ireland and Poland. The plan was to expand later into the other EU countries. The ERP subsidiaries would present our approach to the national environmental ministries and apply later for the respective permits for operation. For this task we hired law companies in the respective countries. Third we explained our approach to other EEE producers and invited them to participate as customers. During 2005 I have signed several hundred contracts with EEE producers and importers in these nine countries. Again, this was possible only in an awesome team work with everybody, highly motivated to win the race. And everybody was extremely motivated, because we promised our companies to deliver. I remember for example the day Ricardo Neto, assigned manager to ERP Portugal, called me saying, that he had no budget left for a mailing to EEE producers and that he would pay this from his own pocket, expecting to get the money back once the budget was approved. This gives you an impression that we worked like a start-up although the shareholders of ERP SA were global players. It was a period of high creativity and improvisation.“

When did ERP picked up **the first WEEE in Europe?**

H.K. The EU WEEE Directive became effective on August 15th, 2005. It was a Saturday. There was only one country, Ireland, which had implemented the respective national legislation in time and permitted product recovery service schemes to pick up contains from municipal collection points. Our operation started on that day and Geodis, based in Paris, which we had contracted for the western part of Europe as a General Contractor, made sure, that this happened. You see on this example, that we had outsourced most of our operational activities. **Our plan** was to be a **platform for product recovery services to EEE producers and importers** and to use **available logistic** and **recycling services** of defined **high quality** in the markets.“

So, your work was done? **What happened next?**

H.K. By end of 2005 we had **more than 1000 customers** with signed service agreements. To manage such a complex network with nine subsidiaries and respective permits, with two general contractors – Geodis and CCR – and with a lot of communication with the national ministries of environment is a **challenge**, especially as **all of us within ERP SA were still employees of the four shareholding companies**. It became clear to me, that we had to change this set-up.

We identified Umberto Raiteri, who worked at that time as country manager of Electrolux Ireland, as a new President of ERP SA and build a team with people from Sony, HP and from the outside. Umberto was assigned new President in **August 2006** and build a new management team with Christophe Pautrat and Nicola Magaraggia. This team has ramped up ERP SA operation and made it grow. **ERP SA became an adult with a strong growth potential**. In 2010, when I had to give up my working life due to heart attacks, ERP had a turnover of around €100 Million and more than 2000 customers. Our Market share was around 25% in Europe. My mission and dream were accomplished.“

Today ERP is owned by Landbell. **What happened that the four shareholders sold this great operation?**

H.K. In a Board meeting 2008 Sony suggested to the other shareholders, that they would like to sell their shares on ERP. The reasoning was, that a European WEEE champion was build and in operation and that this doesn't belong to the core business of EEE producers.

To what I know my colleagues from P&G under the leadership of Christian Eihausen, who represented P&G/Gillette, made the **connection to Landbell**. **The deal was finalized somewhere in 2011**. After I heard about it I felt very happy, as Landbell had a similar pioneering experiencing with the strong desire to **create competition** in the **packaging and product recovery service market**. We had, so to speak, a **similar DNA**.“



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