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Chapter 4 Demand

This article from the April 1999 *Wall Street Journal Classroom Edition* demonstrates the relationship between demand for a product and its environmental image. Demand for polystyrene—often incorrectly called Styrofoam—dropped sharply in the early 1990s because of consumer concerns about its environmental impact. By the late 1990s, polystyrene use had rebounded—but people still did not like it. In “Walking on Clamshells,” *Wall Street Journal* Staff Reporter Jeff Bailey explains how the polystyrene industry worked to change the image of its product, even going so far as to make it look like paper.

Before reading the article below, you may want to look up the following terms: *apologia, debunked, degrade, depleting, disrupters, endocrine, faux, hapless, loathed, moot, mulled, prevail, and scorned.*

Attacked by environmentalists and schoolchildren, scorned by Starbucks and McDonald’s, the polystyrene industry is proving you can be loathed without being a loser.

Quietly and with apologies for its shortcomings, polystyrene—known widely but erroneously as Styrofoam—has recovered from a near-death experience back in the early 1990s.

At that time, the “clamshell” containers used to package Big Macs became a symbol of the garbage crisis: the widely held but now debunked notion that the U.S. was running out of dump space and that packaging was to blame.

Polystyrene is currently busy taking customers away from paper, its politically correct competitor. This ought to be a point of pride to the industry. But a certain gloom prevails. “People use our products,” says Mike Levy, director of the Polystyrene Packaging Council, “but they don’t like them very much.”

D’Agostino Supermarkets Inc., in New York, ditched paper egg cartons for polystyrene foam last year. Foam provides better cushion, costs less, and

allows more elaborate printing, says Scott Rzesza, senior merchandising director.

Having said this, Mr. Rzesza points out that his eco-conscious customers hate the stuff. “People in our market are brutal,” he says. So, D’Agostino prints an elaborate apologia on the inside cover of the egg carton. It reads: Less raw material is used; no ozone-depleting chlorofluorocarbons are used; the container is recyclable.

Pure polystyrene is made by chemical companies such as Dow Chemical Company (which also makes Styrofoam-brand home insulation), BASF AG and Nova Chemicals Corporation. Then it is sold to

packaging and other companies to be turned into finished products.

True, it doesn’t degrade. But this is a moot point in a modern, dry-tomb trash dump, where

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water and gas are sucked out and even paper often doesn't degrade for decades.

Still, consumers feel better about paper, and this explains one of polystyrene's hot new products: a foam cup made to look like paper. "People think it's a paper cup," says Richard Wambold, a packaging executive with Tenneco Incorporated.

Indeed, it is thin like paper, has a seam up the side and a rolled lip like paper, and a bottom that is pasted in separately. It is made on a paper-cup machine. But it is still 100 percent polystyrene.

"This is part paper, part Styrofoam, right?" John Zinsel, owner of three Royal Blend Coffee & Tea House stores in New Orleans, asks hopefully. He says he pays two cents a cup for Tenneco's faux-paper foam cups vs. about three cents for the paper cups he once bought. "And we were having to double-cup them," he adds.

"It's the shut-up factor," Anne Mularoni, a spokeswoman for Dart Container Corporation, a Tenneco competitor, says admiringly. "People don't know. They assume it's paper and they're happy." Dart still puts out bulky white polystyrene cups.

During the garbage crisis of the late 1980s, environmental groups attacked McDonald's use of polystyrene clamshells, knowing the burger chain is sensitive to criticism. The company at first tried a costly and messy trash-sorting and polystyrene-recycling plan. But on November 1, 1990—a date important in polystyrene history—McDonald's abandoned foam for coated paper.

Polystyrene people were shocked and sorry. McDonald's had "spent more money defending polystyrene than this industry did," Jerry Johnson, a former Dow Chemical executive and onetime Polystyrene Packaging Council chief, said afterward. "We're not proud of that."

In 1989, Mr. Johnson was trounced in a debate with a third-grader and a fourth-grader on NBC's morning show "Today." "It's a nonrenewable resource," Bridget Sullivan-Stevens, a nine-year-old redhead, said to Mr. Johnson.

This year, McDonald's plans to begin using clamshells again for its Big Mac sandwiches. This time, however, they will be made of limestone, starch, and other stuff by EarthShell Corporation, a company that sprang up to take advantage of the poor image of polystyrene.

When the fast-food giant bailed out, polystyrene sales fell as much as 15 percent. Prices and profits tumbled. States and cities mulled outlawing it. Producers wondered: "Will this industry be around?" recalls Bob Beil, Dow's polystyrene chief.

This left polystyrene in a poor position for the coffee boom. "Styrofoam cups didn't fit," a Starbucks spokeswoman says. "We sell a premium product"—in a paper cup coated with polyethylene. Mr. Beil cracks: "We get it either way."

But in 1996, Borders Group switched to polystyrene peanuts from paper padding for cushioning books and compact discs it ships from distribution centers to stores, saving more than \$1 million a year.

Virginia Lyle, manager of environmental affairs at Free-Flow Packaging International Incorporated, which sold Borders

on the switch, introduces her company in the usual shamefaced way: "We make packaging peanuts. You know—the little things people hate so much." Part of its sales job involved convincing Borders' well-read employees that peanuts aren't so bad.

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Don’t look now. A 1996 book, “Our Stolen Future,” puts forth the proposition that, among a bunch of other substances, some materials used in plastics production could be “endocrine disrupters” that mimic hormones and cause disease.

Translated into Japanese in 1998, the book caused sales of noodle cups, a fast-food staple in Japan, to plunge in May before rebounding somewhat, the Japan Instant Food Industry Association says.

“Things are looking up, with global polystyrene sales, now at \$8.5 billion a year, expected to rise 3.4 percent a year through 2002, says Paul Ita, senior research analyst at Freedonia Group Incorporated, unless ‘we get hit by another whammy.’”

“I stay away from instant soup noodles in Styrofoam,” says Hiro Morikawa, a studio-lighting technician and noodle-cup fan. “No more Styrofoam in my life.”

The U.S. Food and Drug Administration is broadly probing endocrine disrupters. “As of now, there is no evidence of a problem” with polystyrene, says George Pauli, director of the division of product policy in the FDA’s center for food safety. “It’s not something consumers should worry about.”

But hapless polystyrene officials are worried, as always.

QUESTIONS FOR DISCUSSION

1. Why did McDonald’s abandon foam for coated paper on November 1, 1990?

2. **Recognizing Cause and Effect** What impact did this change have on polystyrene prices?

3. **Distinguishing False from Accurate Images** Mike Levy, director of the Polystyrene Packaging Council, says people use polystyrene products “but they don’t like them very much.” Why do you think people dislike using goods made of polystyrene?

4. **Identifying Assumptions** Hiro Morikawa of Japan stays away from instant soup noodles in polystyrene. “No more Styrofoam in my life,” he says. What assumption about polystyrene do his remarks show?

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