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Publishing Executive

A Fresh Look at Buying Paper

By Steven W. Frye

Weighing the pros and cons of buying and supplying your own paper.

Many publishers who lack significant staff expertise in paper purchasing tend to think they are incapable of buying and supplying paper. They think it is easier to let the printer supply it—and they may be right. Yet, they may be wrong.

If you currently buy paper from your printer and have been wondering if it would be beneficial to supply it instead, the following will help you determine what is best for your organization.

Who should supply paper?

Determining whether you should supply your own paper depends on the amount of paper you use. In general, you need to use at least one truck or trainload of paper (or approximately 40,000 pounds) per issue to make supplying paper worthwhile. If you use less than that, you will either order less-than-truckload (LTL) at a higher price or store excess (inventory) at the printer, also for an additional fee.

It also depends on your frequency. Publications with quarterly or less frequency may incur expensive storage, handling and insurance fees.

There are also financial considerations. When you buy and supply paper, you are required to pay for it before you use it, whereas a printer bills you after usage, plus you get 30 days more to pay for it. Inventory is “dead money.” It doesn’t earn interest while sitting on the floor, so minimizing inventory is a goal.

The market is also a factor. A tight market requires more inventory, and publishers find their allegiance to any paper supplier crucial. However, only twice in my nearly 30 years of buying paper have I experienced a tight market. Lately it has become very easy to supply paper without inventorying excessive amounts—if any at all.

Dermot Burke, a paper broker at Gould Paper Co. of Maryland LLC in Davidsonville, Md., recommends, “Any magazine publisher who spends more than approximately \$800,000 annually on printing should take a close look at customer-supplied paper ... because the financial benefits ... outweigh the disincentives that can be applied by the print vendor who would lose the paper business.”

Those disincentives include handling, storage and possibly insurance fees, as well as some additional management responsibilities.

The True Cost of Paper

However, the cost per hundredweight (cwt), or a price per 100 pounds of paper, is not the only factor affecting paper costs. Customer-supplied stock is subject to an array of printer fees including the disincentives mentioned above. There may be additional shipping costs to get a specific brand of paper to your printer. And there is the cost of the lost interest on the money paid to a paper vendor (approximately 30 days prior to usage) compared to a printer.

In many borderline cases, I have found that it is not necessarily who you buy your paper from, but rather how you buy it. Remember, all of these factors—cost per cwt, markups, fast-pay discounts, storage, etc.—are negotiable.

To help determine how these factors truly affect the total cost of paper from either printer or paper vendor, I created a free modeling program called PaperCalc, which you can download at www.SteveFrye.com. This tool allows publishers to play what-if games with these factors to help determine the best source for them.

Selecting Paper

There are two basic ways of shopping for paper: by brand or by grade. Shopping by brand delivers desired characteristics, whereas grade offers better prices.

If you want a specific sheet of paper, say Somerset, find the vendors who offer Somerset and then check their references. As Burke points out, you want to hire a seasoned vendor who has great relations with the mill. Then task them to offer competitive pricing before completing the agreement. There is very little incentive for the mill to be price-competitive, as they already know you want their paper. The difference will be from the vendor.

If you want a specific grade of paper, but are open to various brands, find two or three vendors and ask them to supply samples, both printed and unprinted, of all of their stocks of that grade.

Printer-Supplied Paper

The easiest place to acquire paper is through your printer. They can get any paper you want, plus offer “house sheets”—paper that they buy in bulk and offer to their customers at competitive rates. House sheets are usually high-grade brands that through an agreement with the mill remain nameless or are given generic names. This may be easy but not the most cost efficient.

What are the benefits of buying paper from the printer?

- The publisher doesn't have to worry about availability.
- Pay for the paper after it is used, allowing for better cash flow.

What are the limitations?

- Specifically requested brands cost more than house sheets.
- There are fewer options.
- Printers see paper as a profit source. They may not advise publishers of market conditions.
- Printers charge for contracted usage, even if they use less paper.
- Printers may switch brands (and characteristics) while keeping general grade.
- Most house stocks are domestic.
- During the bid process, they often price aggressively up-front and “make it up” over time.
- Due to changing printers or discontinuation, specially requested stocks require the publisher to give the printer sufficient notification when it no longer needs that stock—or the publisher may be liable for the cost of such inventory.

Customer-Supplied Paper

The most obvious benefit of supplying paper is the control over paper selection. But many publishers also cut significant costs by supplying paper.

What are the benefits of supplying paper to the printer?

- More options (better control over selection).
- Brokers and merchants represent several mills, and they can offer more paper options, including foreign and recycled.
- Savings. Costs are generally lower than printer rates.
- You pay only for paper that is actually used.
- A paper expert is available to help with your paper planning and to keep you abreast of the market.

What are the limitations?

- The publisher often pays for paper before it is used. It requires cash-flow management.
- There are additional waste factors (cores, remnants, trim).
- It requires additional vendor relationship and credit viability.
- Inventory (dead money).
- There are some additional responsibilities for the publisher, but they're essentially the same as if the paper is supplied by the printer: know the market, estimate future issue needs, reconcile invoices, manage cash flow and watch inventory.
- Inventory, particularly miscellaneous leftover rolls, can be a confusing and costly issue.

“The printer was sometimes not aware of what paper they had on the floor for our products. Disconnects in communication were not long-term, but were a nuisance,” says Joan Marshman, executive production manager at The Christian

Science Publishing Society.

Bob Wiemers, operations director, magazine division, Boy Scouts of America, also reminds us about the additional waste factors. “After the press run, any remaining paper is yours to deal with,” he says. And he isn’t just referring to the leftover stock. Core spoilage (rolls that are not completely run out before they are spliced with a new web), and used single webs (rolls with not enough paper to use and too much to waste) still need to be handled. These spoilage costs can be difficult to account for.

Some printers offer online inventory reports, allowing publishers to view all inventoried stock at any time. Some even offer Web-based “Customer Paper Brokerage” services where their customers can sell paper to and buy paper from each other. This is a good way to find great deals on paper that other publishers bought by mistake or had left over.

What to do?

No matter how electronic magazine publishing is becoming, we still print on paper. And while paper remains one of the largest expenses we have, how it is purchased warrants significant attention.

All of today’s paper sources offer information and help that makes the process easier. In the August issue of Publishing Executive, this column will offer an in-depth look at selecting a paper vendor. You’ll learn the advantages and disadvantages of buying mill direct and from a merchant or broker.

Don’t be afraid of buying paper. It may be a lot easier than you think and the savings may be significant. PE

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