

Publishing Executive

Tips for Picking the Best Paper Source

Weigh the pros and cons of buying mill-direct vs. from paper merchants or brokers.

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August 1, 2006

Managing paper has become more complicated today because limited stock choices in standard roll sizes made for 32-page presses are long gone. Mills are now a blend of domestic and foreign ownership, and aside from readily offering foreign stocks, their domestic paper specifications have slowly changed, creating hybrid stocks with unique brightness, texture and bulking characteristics. Also, recycled stocks with more options, better specs and affordable prices are becoming available. And the new wide-web printing presses require new roll widths, which also require better imposition planning.

Paper sourcing has changed over the past five years, and vendors today are trying to remain competitive during a time of increasing prices and decreasing margins. They represent only so many stocks and are limited in what they can do with pricing; so, many are offering up-to-date market information through an array of electronic tools. Due to these services, publishers now have more resources to stay on top of market trends and better plan for upcoming changes.

But despite all the changes going on in the industry, paper is still provided by five basic sources: printers, merchants, brokers, mill-direct or spot buys. There are online sourcing services, but so far they appear to be just Web sites from merchants and brokers. Understanding the differences between the sources and determining how they fit your particular needs are critical when hiring a paper vendor.

MERCHANTS/BROKERS

There are differences between paper merchants and brokers. Both are independent sales forces who represent several mills. A merchant actually takes possession of paper (paying for and storing it) and resells it to publishers, whereas brokers sell paper without actually taking ownership. Merchants do better in tight markets because of their ability to buy and inventory prior to price hikes. However, they are subject to losses on inventory in a soft market with dropping prices.

Merchants and brokers are also the source of foreign and some recycled stocks.

SPOT MARKETS

The spot market, also known as the remnant market, includes paper that was made in excess of orders, leftover paper from discontinued publications, odd lots gathered from various sources and, unfortunately, seconds...paper of questionable quality and runnability. These papers are usually not sold by mainstream merchants and brokers, but instead are offered by

specialty merchants. Great buys with a possible runnability gamble may found at this source. Several publishers supplement their normal paper supply with these spot buy benefiting from the cost while minimizing the gamble.

MILL-DIRECT

You can also buy your paper directly from the mill. This option is usually only beneficial to the very largest of publishers. The benefit is a relationship directly with the manufacturer of the paper, guaranteeing a supply even in a tight market.

That guarantee usually comes at a price, which in most cases is higher than buying the exact same paper from a middleman. This is possible because brokers are also customers that buy direct from the mill; however, because they buy more tonnage than a single publisher, they are able to secure better terms. In other words, by joining the broker's allotment, the publisher becomes part of a much bigger customer for the mill.

Remember that the mills' expertise is making paper, not necessarily in servicing publishers. Their goal is to sell as much paper as they can at the highest price.

In a soft market, where supply is readily available, there is less incentive to buy mill-direct. However, that hasn't stopped the mills from trying. In the last few years, they have made a significant effort to establish direct relations with their end-users and recently have been offering incentives that, for larger publishers, may be worth investigating.

CHOOSING A PAPER VENDOR

Buying paper from the printer is the simplest method of sourcing paper. However, it may not be the best. Buying and supplying paper to the printer is not all that complicated. "All the publisher needs to do is provide the paper vendor [the merchant, broker or mill] with a print order and page-count revisions, and then [they] can leave the rest to the paper vendor," says Dermot Burke, a paper broker at Gould Paper Co. of Maryland LLC in Davidsonville, Md.

Merchants' and brokers' expertise is purchasing paper, improving the paper-transaction process and managing the paper-supply relationship. They have multiple supply sources and have purchasing leverage.

However, selecting a paper vendor is different than selecting a printer. When analyzing printers, it is common to review as many qualified candidates as possible. But with paper vendors, that methodology does not necessarily work.

Each merchant and broker represents a number of different mills, so several merchants or brokers will represent the same mills. For example, when a publisher goes to six merchants or brokers, the merchants or brokers, in turn, go to their mills to inquire about the publisher's desired paper. The mill, by law, offers each rep the paper at the same price (the list price), but it also offers discounts—both volume and financial (fast-pay)—that create price differences.

Merchants and brokers can reduce their own markup to lower their price to the publisher, but because of the discounts mills give for volume purchasing, the market clout of a proposed paper vendor should be reviewed.

When choosing a paper supplier, you should carefully evaluate, by checking the supplier's references, that the supplier can execute on a business model that translates page counts and print orders into precise and accurate paper orders.

You want seasoned, experienced pros handling this because a mistake could be costly. So make the effort to check references to find a good person heading a good program at an established organization.

PAPER MANAGEMENT

The largest fear a publisher has when considering whether or not to buy paper is their perceived lack of knowledge of the paper industry. The paper market is not only affected by our magazine market, but also by other print markets, world economies, energy costs, environmental concerns and large events, such as the Olympics or election years. There is the fear of not knowing how to order, inventory, cost account or even resolve issues of damage or runnability.

But fear not. Paper management is one of the services paper vendors offer. "Supplying your own paper will create additional work, but you can minimize this by working with a merchant that will manage the consumption and inventory as well as take care of any claims for bad rolls," says Bob Wiemers, operations director, magazine division of the Boy Scouts of America. The vendor, in essence, becomes your paper manager.

Joan Marshman, executive production manager at The Christian Science Publishing Society, agrees. "Buying, storing, managing, etc., is taken care of by my broker," she says. "He keeps me apprised of market trends, searches out suitable papers and bids the best price for our portfolio of papers. He manages the flow of paper to the different printing plants we use and reports on a regular basis."

Your vendor should also track and time shipments to avoid unnecessary inventories and related fees.

The following is a typical transaction process provided by a vendor:

- Check forecast based upon due dates.
- Call the publisher to prompt order placement.
- Receive order.
- Source order through designated mill for best date/price.
- Confirm pricing, grade, availability, LDC (late date changes, or the last date that changes can be made to the order), etc.
- Process order.
- Confirm order (via mail, fax, e-mail or EDI/XML).
- Confirm production and ship date with mill.
- Coordinate changes, if applicable (quantity, ship-to, etc.).
- Track and trace vessels/railcars/trucks.
- Confirm receipt of paper.
- Process any complaints/transit issues.
- Process customer reports.

When interviewing candidates, ask to see sample reports they submit to customers and see what type of market information, e-newsletters or informational Web sites they offer.

The management services offered by vendors help even more today than just 10 years ago. As Bob Shenberger, vice president of Frye Publication Consulting, points out, "In the past, we were dealing with single presses with general web widths, and this is not true today. Now, with the wide-web presses, you balance different page configurations such as 12-, 48-, 64- and even 96-page deliveries along with the rolls for the 32-page presses."

Even though vendors help manage paper, the ultimate responsibility and liability lies with you. There is significantly more work and risk involved in managing your own paper. If your paper delivery is late or short, it's your problem, not the printer's, and after the press run, any remaining paper is yours to deal with.

BENEFITS OF WORKING WITH MERCHANTS OR BROKERS

You can see some of the major benefits of working with a merchant or broker in the box "Choosing a Merchant or Broker" (below). Resolving claims is a great service that paper vendors offer. If there is any damage or discrepancy, the vendor works directly with the printer, shipper or mill to resolve it. Many times this happens without the publisher ever knowing there was an issue. But don't forget: You are the printer's customer and, therefore, ultimately responsible for any problems with supplied paper.

A vendor also can be proactively involved with projects and offer expert advice. "I talk with my paper broker about once or twice a week," says Marshman. "We discuss market trends and current issues. ... Right now, we are in the process of monitoring a paper change that we made to enhance the high-use durability of our slim-jim product."

When working with a paper vendor, either the publisher or their printer can place the paper order and/or be invoiced. A consignment program sometimes can be arranged whereby paper is invoiced after it is consumed. Terms such as rebates, discounts and net terms can be agreed upon based on the publisher's needs.

Wiemers suggests, "Make sure the mill allocation [the paper] belongs to you, not the merchant, and if your printer charges a storage fee, work with a supplier who can consistently deliver just in time to reduce days in inventory."

Another advantage a paper vendor offers is a variety of paper options. Remember, however, that while paper vendors work for publishers, they technically get paid by the mills. (The publisher orders and pays through the merchant, who is then paid out of the transaction.) This may require you to "kick start" the process of looking at alternative papers. Even though vendors sell you on the advantage of having paper available from multiple mills, in reality they are in an awkward position to instigate such options. To satisfy a publisher's needs, they may upset the mill with which they have established relations.

Don't forget that they work for you, and customers change stocks all the time. Therefore, don't be shy in occasionally challenging your vendor for more advantageous options.

And Mary Kay Rietz, advertising and production manager for the Lions Clubs International, suggests, "Keep yourself informed on the paper industry; know when prices go up or down.

Then, see if your broker or merchant follows suit. This can help you make sure [they are] working for you.” PE

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