

# Publishing Executive

## 10 Ways to Deal with Rising Paper and Postage Costs

By Steven W. Frye

May/June 2005

With paper and postage costs on the rise, you might be considering changing your paper stock to a lighter or cheaper one, or considering reducing your trim size to lighten the single-copy weight.

Publishers rarely "degrade" their books in these manners unless they are trying to offset increasing paper and postage costs. They are the two largest expenses a magazine publisher has, and it is a hardship when either goes up. It can be significantly detrimental when both go up at the same time.

Paper prices are on the rise, and early next year, postage rates will jump by an anticipated 6 percent. The cost of fuel has also hit record levels, and that affects freight and postage costs, as well as paper shipments.

What can you do to offset these increases? Whenever this subject comes up, changing to a lighter basis weight or reducing trim size are mentioned most often.

### 1 Change your basis weight

This is the quickest and easiest way to reduce paper and distribution costs. Lighter paper is less-expensive, the book weighs less and distribution costs are less. Although lighter stocks generally have more expensive costs per hundredweight, you use less paper "weight" and ultimately pay less.

Let's estimate the impact of switching to different paper. If you use 145,000 pounds of 60# at \$46.25 cwt., and you want to know the difference of switching to 50# at \$53.75 cwt., follow these steps:

1. Take the paper you want (50) and divide it by the paper you have (60), and come up with a factor (.83333).
2. Multiply the usage (145,000) by the factor (.83333), and you will now see how much 50# paper you would use (120,833 lbs.).
3. Then calculate each cost, and the difference: The difference of 60# ( $145,000 \div 100 \times 46.25 = \$67,063$ ) compared to 50# ( $120,833 \div 100 \times 53.75 = \$64,948$ ) is a savings of \$2,115.

The following formula shows how changing from 60# text to 50# text impacts the single-copy weight of an issue:  $\text{width} \times \text{height} \div 950 \times \text{pages} \times \text{basis weight} \div 1000 \times 16$ .

For pounds, don't multiply by 16. This equation has to be used for each section of the book that has different paper or trim size.

## 2 Change trim size

Changing your trim size is another option, but more complicated. Depending on the amount of change, it could affect everything from creating new design templates to updating ad specifications in Web sites, media kits and SRDS listings, to communicating with all advertisers and getting new materials.

Shaving 1/16-inch off the top and 1/16-inch off the side may never be noticed, but on a 83/8-inch by 107/8-inch book, that trim reduces the size (and weight) by 1.3 percent.

Trimming often only affects single-copy weight, not paper usage. In fact, you use (and pay for) the same amount of paper, but dispose of more trim waste. To create true paper reductions, you need to use a narrower roll size, which benefits only the width of the book. For example, if an 81/8-inch-wide publication reduced its width to 71/3 inches, the roll size needed would change from 33.5 inches to 32 inches—a 4.5 percent savings.

Shortening the height trim does help reduce weight. But to save on paper due to height trim, a standard-sized magazine has to use the height trim of 10.5 inches, which can be delivered on a short-cutoff press. 'Cutoff' refers to the circumference of the press cylinder, which affects the amount of paper used by the press with each revolution. A standard press can deliver various cutoff sizes, but the smallest is usually around 22 inches. Some newer presses use a gapless technology that uses sleeved plates rather than standard flat ones. This can reduce the cutoff to less than 22 inches saving even more. Short-cutoff presses have a 21-inch cutoff, which means it will deliver an 8-inch by 10.5-inch size with minimal waste. Going from a standard press to the short-cutoff automatically reduces paper usage by an average of 4.4 percent depending on the press. Not all printers have short-cutoff presses, so be aware when quoting this size as they may not be capturing the real benefit of this size.

Changing the trim size mainly benefits controlled or high-circulation publications, as both postage and drop-shipping freight costs are based on weight. Newsstand titles are not a good candidate for this. The smaller size makes the magazine too short to get any attention on the racks. Newsstand titles are harder hit than controlled circulation titles when paper goes up as they generally don't have the option to reduce size or paper quality. However, they are not as affected by postal hikes.

### Other Options

There are other ways to help reduce paper and postage costs. But before we explore them, it's important to first consider the economics of small-run vs. long-run publications.

Every magazine has to pay certain 'fixed' costs— primarily prepress and makereadies. Short-run titles do not have the quantities to amortize these costs, thus, for short runs, they make up a larger percentage of the total issue cost. Long-run titles have the volume, and the larger the quantity grows, the more these items are reduced as a percentage of per-issue cost.

However, materials (ink and paper) become a higher percentage for larger runs. For a short-run publisher, paper may only make up 15 percent of the total issue cost and postage another 15 percent, for a total of 30 percent. But in a long-run magazine, paper and postage may cumulatively make up 80 percent or more.

The following tips are good advice for all publishers, but especially apply to medium- to long-run titles.

### **3 Consider a half-lap**

(a.k.a. false lip, cheat to fold ... )

This trick primarily applies to 32-page saddle-stitched forms. One web of paper is the full size needed to deliver your trim size, and the second is approximately a half-inch narrower. When the two webs are married together, the wider web will create the lap needed in bindery. The half-inch difference saves a lot of paper over a period of time.

### **4 Prevent wrong roll widths**

Be sure you are purchasing the minimum roll width necessary to deliver your book size. Consult with your printer to verify their paper specifications and order the correct roll size. It is common with publishing companies that purchase their own paper, have had a turnover of production staff over the years and/or changed printers to continue buying paper at a size that has since become obsolete. Often printers will accept customer-supplied rolls that are wider than necessary to deliver the customer's product, yet they fail to communicate that smaller widths would save paper spoilage. According to Dave Landwehr, plant manager at Fry Communications Inc., Mechanicsburg, Pa., a publisher should try to minimize its trim waste.

"The optimum configuration is having a press cutoff and paper roll size that has no more than an 1/8-inch trim on all three sides," he says.

### **5 Negotiate lower usage levels**

When your contract comes up for renewal, ask the printer to review their usage history and make adjustments based on actual data. During a bid process, the bidders are proposing estimates on how much paper they would need to produce the title. The incumbent has actual historical data that you can review and use to adjust usage rates.

### **6 Supply paper to your printer**

Generally speaking, this option applies to titles that use at least a truckload of paper per month. Long-run and/or frequent titles are the best candidates, as are multi-title companies.

When you supply paper, the printer is contractually obligated to use no more than the agreed amount listed in the Price Schedule. If they use more, they reimburse you. If they use less, you save. They are also obligated to inspect, store, insure, and report usage and inventory. If the printer supplies the paper, they will bill you at the contract levels whether they used that amount or not.

In other words, they can charge you for paper they never use. Supplying paper can both reduce usage and prices.

### **7 Change brands, shop around**

An option is to remain on the same basis weight and grade, but change brands. Paper manufacturers compete with each other, and you may find a better deal elsewhere. One of the sales pitches a paper broker or merchant makes is that they can offer options from other mills. Task them on it. Periodically, as markets change, have them look for other deals.

This is a Catch 22 for your paper broker: On one hand, they want to be a hero and offer you a paper that is less expensive, and on the other hand, they want to be loyal to the mill that currently has your business. By making it your decision to shop around, it lets them off the hook and allows them the opportunity to shop around or renegotiate with your mill to retain the work.

## **8 Spot purchases**

One way to keep paper cost down is to supplement your inventory with 'spot' buys. Spot paper, which is different than seconds, is leftover paper from sold allotments. Spot paper is usually of good quality from reputable mills.

## **9 Minimize inventory**

One way to reduce paper and shipping costs is to waste less. Check your inventory of back issues, office and sales copies. Unused books cost money. Every 1,000 unused books cost you \$500 to \$1,000 or more.

## **10 Clean up comp lists**

Mail less. It's common sense, but often publishers fail to clean their comp lists and, therefore, continue to mail copies to dead ends.

### ***Be careful with your image***

It is understandable why long-run publishers must react to increasing paper and postage costs. But should short-run publishers react the same way? The amount of dollar savings is just not as significant as it is for long-run titles. Changing paper may actually hurt.

"Experience tells us that a trendy magazine printed on a premium paper is more successful than a bland-looking publication printed on the cheapest paper available. The rag publication may have better content, but it does not have the look of success," says Ned Kulka, marketing director at Publishers Press Inc., in Louisville, Ky., and adjunct professor of business at the Southeast campus of Indiana University.

"Perception is what drives our rating and classification methods for everything from people to bath soap. It's how we view the world based on our attitudes and beliefs."

Paper is a key component in establishing the perception of quality in a competitive market. As the magazine's packaging, it is the first tangible a reader uses to form an impression.

Since advertising is a key revenue stream, Kulka recommends that a publisher actually consider increasing the paper quality or weight. "It is important to consider advertisers' perceptions as well," he explains. "They tend to like heavier, higher grades of paper because their ads are not going to be clouded by ... show-through."

Kulka points out, "With an increase in basis weight, your readers will sense that the paper is heavier, more rigid. This gives them the perception that the paper is stronger. As our minds process this information, often the strength of the paper is turned into a perception that the magazine and its editorial are stronger than a competing title on weak, flimsy paper." He adds, "Another logical response is to question a reduction in paper quality. Many may ask, 'If they skimp on paper, are they cheapskates when it comes to editorial?'"

Kulka's advice may seem odd at a time of paper and postage increases for most publishers, but as stated above, short-run magazines and long-run magazines have entirely different equations for their costs.

It is easy to see how a miniscule amount of paper savings adds up to a significant amount in dollar savings on the long-runs. For short-runs, however, changing paper may deliver only a small dollar savings, but gamble the market's perception of your publication. A friend of mine says that when his publisher asks him if he can save money, he replies, "Yes. But what can we do to make money instead?"

Maybe stepping up a grade of paper while your competitors are stepping down is a good "investment" rather than an increase in costs.

Remember that even with the recent paper-price increases, paper prices are still below their 10- and 20-year averages.

Be careful before making changes with your magazine's size, paper quality or any other area of its image. Weigh the pros and cons of each option. If you have a market and reader base that will allow you to alter paper or trim size, then the options listed above can help counter the ever-increasing paper, postal and freight costs.

Check with your printer to see if any of these options will work for you.

---

Steven W. Frye is owner of Frye Publication Consulting in Hailey, Idaho. He is an expert in book-, magazine- and catalog- production processes, and has negotiated printing, paper and distribution contracts for dozens of publishers. He can be reached at [Steve@SteveFrye.com](mailto:Steve@SteveFrye.com).

---