



a Gruner+Jahr Company

The Brown Advantage

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Paper Market

..... the only constant is change

This year the Brown Paper Group and our customers have witnessed an over supplied industry, falling ad pages, and revised business models that have challenged the publication and catalog paper market. Coupled with these adjustments, postal pressures and changes in the way consumers are processing information present an opportunity and demand for change moving forward.

As Winston Churchill said, "There is nothing wrong with change, as long as it is in the right direction." Change is what the Brown Paper Group is seeing in the North American (and global) paper market. This change, driven by necessity, aims to balance the market demands of the future.

In the past 18 months the paper industry has seen the idling of approximately 15 machines and the loss of thousands of jobs in the United States. We have found ourselves in a paper market whose capacity is down approximately 20% from 2008. Private equity now owns over 50% of the North American coated market and they

are demonstrating that the business model which has been in place is simply not sustainable heading into the future.

The 'Black Liquor' tax credit loophole in a piece of 2009 legislation has allowed paper companies to use a byproduct of the pulp making process to qualify for an instant rebate from the federal government. Originally the legislation allotted for \$60 million dollars. To date the payout has been in excess of billions of dollars.

This credit has been both a blessing and a curse. It has given suppliers relief, and allowed them to drop their paper prices. However, they may not be able to sustain these prices if they are no longer receiving the credit. Brown's customers have benefited from falling prices and mills have benefited from the credits, but this credit will expire at the end of 2009.

The Brown Paper Group continues to monitor the market and work closely with key suppliers who support our business model. Combining our industry knowledge with the needs of our customer base is what allows Brown to leverage the best deal, and guarantee consistent supply for

our customers. "We know how important paper is to your budget," offers Bill Cunningham, Manager of Paper Supply & Solutions at Brown, "This is why we strive to provide you with a quality sheet at a competitive price, but are also able to offer you alternatives as your business changes."

What does that mean for 2010 and beyond? The Paper Group is predicting more change. Customers should budget and prepare for a paper increase in 2010. Our initial estimates suggest increases in the range of 10-12%.

Interested in staying abreast of the paper industry? Subscribe to Brown's Paper View Newsletter to receive email updates on important industry news by visiting the Newsletter section of bpc.com

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THE SCOOP

on the droop

Get the scoop on the USPS deflection standards

Have the new USPS deflection standards left you scratching your head in confusion? Concerned about whether or not your publication or catalog meets the requirements? Brown's resident postal expert, Erv Drewek, and the Brown Logistics Department are working hard to clarify.

Drewek has a mailing career spanning over 20 years and serves as the primary liaison between the United States Postal Service and Brown Printing Company's three divisions. Drewek is the main source of regulatory information for internal operations and provides customer guidance on postal matters.

The original implementation date was January 4, 2010, but on December 2 the USPS delayed the new deflection standards and the associated rates to be assessed for failure until June 7, 2010.

"There are more questions than answers," said Drewek following a recent PostCom presentation. "For example, will there be a process by which mailers can pre-qualify their mailpieces? How will the USPS ensure

consistency in testing? This deferment allows us 6 more months to ensure the pricing and policies are followed to a 'T'."

Postal Bulletin #22264 (Deflection Standards aka - The "Droop Test") applies to all commercial flat-sized mailpieces, aside from those at Saturation Carrier Route prices, and reduces the allowable droop by 1 inch (from 4 inches to 3 inches for pieces that are at least 10 inches long). The consequences of failing a deflection standard test have yet been determined. The test can be subjective, but the diagram to the right is an example of how you can test your publication or catalog.

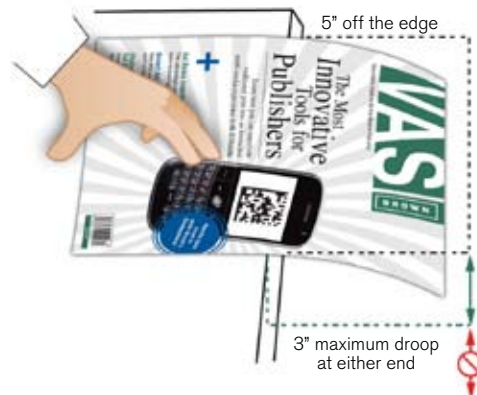
Please note, mailpieces must be approved for automation flats pricing by the USPS. Mailers seeking approval for mailpieces under this standard must contact their local postal manager for exact pricing and classification, final analysis and testing.

In November, Drewek attended a MTAC (Mailers Technical Advisory Committee) meeting, and the main topic of discussion was the deflection standards. By press time, the USPS hopes to have proposed penalty rates published in the Federal Register for public comment for non-compliance.

Postal Questions

To receive the most recent updates concerning the USPS, subscribe to Brown's Distribution Directions. Be the first to hear about the pricing matrix, droop test updates, or rate increases. Distribution Directions keeps you in the know. For questions on how to test your mail pieces, or if you would like your mail pieces reviewed, contact Erv Drewek direct at erv.drewek@bpc.com

Pieces 10 Inches or Longer
Length is the longest dimension



Pieces Less Than 10 Inches Long
Length is the longest dimension



Do You 2D?

See how Dwell put Brown's B.Mobile technology to use in their latest issue



Visit our website at bpc.com/forum to talk about your 2D experience.

In the summer edition of the Advantage newsletter Brown introduced B.Mobile 2D barcoding. Dwell, a magazine devoted to modern architecture and design that began printing with Brown in 2009, was one of the first customers to implement this technology. We caught up with Nancy Alonzo, Dwell's Director of Digital & Brand Marketing to discuss their experience.

"Dwell eliminated reader service cards due to their expensive and ineffective nature," said Alonzo, "but there was no service filling

the gap. When Brown introduced B.Mobile we found the solution to be wholly appealing to not only our advertisers, but to Dwell and our readers."

The December/January issue of Dwell, on newsstands now, features a two-page spread that includes directions on how to download the NeoReader onto your web enabled camera phone and the 2D barcode. The 2D barcode takes you to a mobile site set up for the reader to request more info about the advertisers featured in the issue.

"Because the barcodes are traceable, we will be able to track our readerships' response," continued Alonzo. "We plan to use the 2D barcode for 3-4 months, and at that time we will evaluate how many early adopters are reading Dwell."

How do you 2D? From reader service cards to sweepstakes to interactive advertising, B.Mobile has a 2D barcoding solution just for you. Interested in more information? Contact our solution experts at contact.us@bpc.com.

SMART MAIL MANAGEMENT IS HERE

Track your mail like never before with Brown's newest value added solution.

Brown continues to add exciting new services and solutions to help our customers drive revenues and more efficiently manage all aspects of their process. Brown's newest service, Smart Mail Management, allows customers to access tracking, reporting and expediting capabilities that keep mail on track.

Brown's Smart Mail Management utilizes United States Postal Service PLANET codes to identify and track each individual mail piece – from the moment it enters the delivery stream until the time it reaches the mail carrier. Leveraging our in-depth understanding of USPS mail processing and direct contacts inside the USPS, we can quickly address problems by interacting with USPS personnel to keep mail moving and on time.

Smart Mail Management ties directly into the existing B.Direct Customer Portal. Online, intuitive screens supply timely insight and valuable statistics for every mailing. All data in the system can be exported and downloaded in multiple formats for ongoing delivery analysis.

"Brown's unrivaled logistics services help our customers effectively control and monitor all aspects of the supply chain," explained Pat Bayer, Director of Brown Logistics Services. "Brown's Smart Mail Management takes our services a step further, offering customers the most comprehensive tracking and in-home management system in the industry."

Find out more about our newest solution by contacting us today at contact.us@bpc.com



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West Coast Offices

Los Angeles, CA	310-392-3705
Walnut Creek, CA	925-295-1640

Greenville East Side Story

Established in 1978, Brown's East Greenville division has executed a number of "firsts" for the company: the first selective ink jet technology, the first installation of a Sunday press, the first to have a virtual proof on press, first to co-stitch, and first to implement selective in-line polybagging.

Nestled in the rolling hills of the Perkiomen Valley, with a population just over 3,000, Brown's first class East Greenville location is just a short drive from New York City and Philadelphia - strategically located to serve the major metro markets on the East Coast.

This time of year the country side boasts of great apple picking, hayrides and corn mazes. If the unique bed and

breakfasts, excellent restaurants, golf courses and friendly residents in East Greenville are not enough for you, a short day trip could lead you to Valley Forge National Park, downhill skiing at Bear Creek, a visit to Hershey Park, or a tour of the Crayola or Martin Guitar factories.

More importantly, if you find yourself in the area, come visit Brown's facility in East Greenville, PA to see the technology and friendly employees first hand.

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Want to find out more about East Greenville?

Visit bpc.com/egv