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Finch Paper Continues to Find New Opportunities in Uncoated Paper Business



The Finch paper mill, where Finch Inkjet Pi and the firm's other uncoated paper grades are produced

[June 14, 2010] The uncoated freesheet (UCFS) market is a tough business these days. A recession, increased use of electronic means of displaying and sharing information, and more publicity about the impact of paper on the environment have all had a negative effect on demand. Still, even a declining market can have its "sweet spot," and Finch Paper, a Glens Falls, NY-based vertically integrated papermaker, indicates

it has found such a position. On May 25, we had the opportunity to speak with Anthony McDowell, vice president of sales and marketing at Finch Paper, who told us about the firm's new line of paper for high-speed, high-volume ink jet devices; Finch's 2010 price guarantee; the firm's integrated mill messaging; and how Finch has weathered the recession.

Finch Inkjet Pi

According to McDowell, Finch has been working with various manufacturers of high-speed commercial ink jet devices for more than a year to develop uncoated papers for machines using dye- and pigment-based ink sets. The first such product that Finch will offer is Finch Inkjet Pi. McDowell says that because it is necessary to make sure that the paper conforms to the speed and ink configuration of different print engines, there is a qualification period for new customers. The new paper is already in trial with various customers using different ink jet installations.

"In a good, better, best hierarchy, Finch Inkjet Pi is best for pigmented inks and good for dye-based inks," says McDowell. According to the firm's fact sheet, the paper line is suitable for commercial ink jet devices using continuous or drop-on-demand technology, including the HP T300 Color Inkjet Web Press, InfoPrint 5000, Kodak Versamark VL

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series devices, Océ Jetstream 1100 and 2200, and Screen Truepress Jet 520.

The firm's fact sheet states, "Finch Inkjet Pi secures the pigment on the paper surface while allowing the ink vehicle to penetrate for excellent drying performance and print fidelity." The fact sheet also highlights benefits such as the paper's ability to minimize color-to-color bleeding and "rapid ink drying for higher print speeds."

From these descriptions, it sounds like the paper may have an additive similar to the positively charged salt used in HP's ColorLok technology, which is featured on uncoated cut-sheet paper for use in pigmented and dye-based desktop ink jets, or HP's ColorPRO technology used in roll-fed commercial and industrial ink jet presses such as the firm's T300. (For more on recent developments with HP's ColorLok standard, click [here](#). For more on HP ColorPRO, see *Journal*, 10/09.) Finch also notes that the firm has developed media for HP Indigo devices. Rochester Institute of Technology (RIT) has rated Finch Fine iD as a three-star or best-performing paper for HP Indigo presses.

Key Specs: Finch Inkjet Pi		
Designed For	High-speed commercial ink jet devices using pigmented ink	
Applications	Transactional/promotional, direct mail, book printing, marketing collateral, business identity	
Brightness	96	
Color	white	
Sizes	customizable; Finch offers a full range of sizes supporting referenced devices	
Weight	Caliper	Opacity
20 lb./50 text (74 gsm)	3.6	92
24 lb./60 text (90 gsm)	4.0	93
28 lb./70 text (105 gsm)	4.8	94
32 lb./80 text (120 gsm)	5.4	95
7 pt. (148 gsm)	7.2	96
9 pt. (209 gsm)	9.2	97
Environmental Certifications	Sustainable Forestry Initiative (SFI) certification	
<small>Source: Lyra Research, based on information from Finch Paper</small>		

Finch, however, says that the technology behind how Finch Inkjet Pi holds pigmented ink particles at the surface of the paper is proprietary and stays at the mill. McDowell explains, "For an uncoated paper, there is a lot more science involved than you would think."

Key specifications for Finch Inkjet Pi are shown at right. McDowell asserts that the paper is "particularly well-suited for trans-promo printing," as it features "excellent color saturation for printed solids and photographs." Other characteristics include excellent opacity and a super smooth (100 Sheffield) surface. The paper is also elemental-chlorine free and acid free. Pricing for Finch Inkjet Pi will be announced at a later date.

McDowell says that Finch is working to expand its lineup of uncoated papers for ink jet devices, but the firm will focus on high-speed commercial devices. He explains that Finch simply does not have the size or scale to manufacture cut sheets for desktop ink jets, adding, "We make and market papers in the commercial print environments, financial printing, promotional printing, direct mail—where there are critical color, runnability, and service expectations."

2010 Price Guarantee

Finch launched a redesigned Web site in May, and when we visited the site, one element caught our attention—the papermaker is guaranteeing that it will not increase prices for its value grades of media (Finch Fine, Finch Fine iD, Finch Fine Color Copy, and Finch Premium Blend) for the rest of 2010. In a year in which we have seen many papermakers raise paper prices, Finch's price guarantee is likely to catch the attention of cost-conscious customers. As we wrote in a May 5 article ("[As Papermakers Continue to](#)

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Raise Prices, Finch Seeks to Differentiate Itself”), Finch recently issued a press release pointing out that the rising pulp prices that have caused other papermakers to raise prices have not affected Finch because it is an integrated papermaker and makes its own pulp.



Finch's new Web site currently highlights the firm's 2010 price guarantee for its value grades of media

McDowell says that Finch decided to guarantee pricing on its value grades of paper toward the end of April, and the firm first made the offer public in mid-May. Surprisingly, McDowell asserts that the guarantee was not inspired by other papermakers' price increases. He says, "We assumed people's prices would go up, but the guarantee coincided with our messaging about being a small, high-quality integrated pulp and papermaker and putting some security in that choice."

McDowell says it is too early to say how the guarantee will affect Finch's business, but his firm's hope is that the guarantee will raise awareness of its value lines of paper, which are less well known than Finch's opaque lines of paper. Also, McDowell points out that the guarantee provides Finch with a good opportunity to talk to customers about dependability—of its costs, its paper prices, its paper quality, and its service—all of which the firm sees as key advantages of being a smaller, integrated papermaker. McDowell says that offering customers this dependability is essential in winning repeat business.

Integrated Mill Messaging

Much of Finch's messaging of late has focused on the firm's advantages as a fully integrated mill—meaning that Finch manages forests, makes its own renewable energy, converts logs into pulp, and makes pulp into paper at its site. We asked McDowell if Finch has had to do much education around this message, which is a bit more complex than, for example, a price guarantee. He responds, "It's not a simple concept because it is tied to an environmental concept that is just taking hold—viewing paper as renewable resource. A lot of work is being done to talk about paper as a recyclable alternative to digital." The Two Sides initiative (<http://www.twosides.info/>) (*Journal*, 1/08) and International Paper's "Down to Earth" series of publications (*Journal*, 7/09) and Web site (<http://www.internationalpaper.com/Apps/D2E/Down2EarthOnline/index.html>) are probably the best known examples of other initiatives focused on pointing out the environmental advantages that paper can have over digital means of displaying information, but McDowell says, "Our differentiation is we're not global and our focus is more local." He asserts, "We're sitting in a terrific wood basket, have an efficient and

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responsible manufacturing platform, and can deliver paper locally. It's a good renewable print media solution." The papermaker has a "Finch in the Forest" blog (<http://finchpaper.com/our-environment/finch-in-the-forest/finch-in-the-forest-blog/>) focused on responsibly managing forests and "green" paper choices.

Finch's 2009 and Q1 2010

When we last heard from McDowell at a June 2009 Finch analyst briefing (see "*Finch Paper Announced New Line of Digital Uncoated Papers*," *Journal*, 6/09), it was the midst of the recession and Finch had undergone two rounds of layoffs, so we were eager to learn more about how Finch has fared in 2009 and in early 2010. Although Finch is privately held and does not publicly release its financial results, McDowell shared some information about how the company has weathered the recession, and we gleaned a few additional details in some quarterly summaries on owner Atlas Holdings' Web site (www.atlasholdingsllc.com).

McDowell describes the two rounds of layoffs (one salaried and one hourly) as a "needed change we had to make at the time." He adds that the loss of some of the hourly positions came through attrition. While he says that Finch has continued to focus on controlling its costs in 2009 and 2010, the firm has added about 12 to 15 positions over the past year in areas such as supply chain, product management, sales, and certain technical areas.

Finch still claims to be producing about 700 tons of UCFS a day, or about 250,000 tons per year, the same as before the recession. When asked whether the recession has had any impact on Finch's paper volumes, McDowell says, "We had a good year in 2009. We were able to hit our business plan by being a small player in a lot of big markets. We have the advantage of being nimble and providing better service." He says that Finch was even able to make some capital expenditures to improve its mill, although he emphasizes that Finch is not expanding capacity. Specifically, the papermaker added a new dandy roll on its number-four paper machine and new dryer siphons and a new headbox on its number-one paper machine.

Atlas Holdings' fourth-quarter 2009 review for Finch Paper (<http://www.atlasholdingsreports.com/index.php/tag/archived/>) states, "Notwithstanding a market-wide 20%+ decline in demand for uncoated printing papers, Finch set monthly sales records, increased its operational EBITDA (earnings before interest, taxes, depreciation, and amortization) by 20% and repaid approximately \$25 million of debt."

As for the first quarter of 2010, McDowell says Finch has a more aggressive plan for its 2010 fiscal year and "so far the firm's performance has been good." Atlas Holdings' first-quarter 2010 summary for Finch reports, "While Q1 2010 performance was slightly below plan due to production shortfalls, we remain optimistic that Finch will achieve strong results in 2010 as a result of the consistent and proactive effort by Finch's management team to improve efficiency, reduce costs, and drive sales of higher-margin grades."

When asked if Finch had seen any shift in the popularity of different paper grades during the economic downturn, McDowell says that his firm saw the effects of cost cutting in end-user budgets in 2009 as some customers moved down to commodity grades. He adds that Finch has seen an increase in business for its value-added grades within the past couple of months.

Uncoated Paper Not Going Away

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According to Lyra's *Hard Copy Supplies Advisory Service (SAS)* forecast for the second half of 2009, worldwide revenue from the sale of plain paper, which Lyra defines as uncoated freesheet paper consumed in digital devices, fell from \$18.8 billion in 2008 to \$18.6 billion in 2009. Finch focuses exclusively on this declining market and on uncoated paper used in offset devices, a market that Lyra does not forecast. Still, the uncoated paper market is quite sizable, far larger than the one segment of the digital media market that is experiencing revenue growth—namely the coated ink jet and electrophotographic (EP) paper segment, which saw worldwide revenue grow from \$2.2 billion in 2008 to \$2.3 billion in 2009. Moreover, as Finch's new Finch Inkjet Pi line demonstrates, there are still new product areas for the uncoated papermaker to target.

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