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Communication Supplies Consulting Service

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xpedx: Redefining the Paper Merchant

Executive Summary

With a broad base and history as a paper merchant, xpedx has evolved over the years to become much more. This evolution has occurred as a result of mergers, acquisitions, and the company's desire to respond to its customers' many and diverse needs. xpedx, an International Paper (IP) company, identifies itself as North America's largest marketer and distributor of printing papers and graphics supplies and equipment. It is one of the largest suppliers to commercial printers, in-plant printers, publishing companies, and digital publishing markets. It is also a top provider of:

- Imaging and office papers
- Industrial and consumer packaging supplies and equipment
- Bindery, finishing, fulfillment, and shipping supplies and equipment
- Facility supplies and equipment

xpedx supplies consumables and equipment to meet all of a printer's prepress, on-press, and post-press needs. The company provides graphics professionals with advanced digital prepress equipment, Ryobi printing presses, hardware and graphics software, color management tools, and packaging systems. xpedx claims to be the only paper merchant that sells graphics supplies/equipment across its network, bringing new competition to established graphics dealers and new long-term partnership options to printers. The company also provides detailed operations analysis, counsel, and financing to help make a customer's printing business more efficient and profitable.

xpedx owns and operates a prepress and digital workflow laboratory and demonstration center that is known as the xpedx National Technology Center (NTC). xpedx is also the exclusive full-line U.S. importer for Ryobi Graphic Systems of Hiroshima, Japan, one of the world's largest manufacturers of color offset and DI presses. Finally, xpedx reports rapid growth in its xpedx.com e-commerce engine.



Table 1: xpedx Business and Customer Segments

Primary Business Segments	Primary Customer Segments
Paper	Commercial printing, in-plant printing, publishing, advertising/marketing, graphic design, corporations, non-profits, government, redistributors
Graphic Imaging	Commercial printing, in-plant printing, publishing, advertising/marketing, graphic design, businesses
Packaging	Manufacturers, including printers
Facility Supplies	High-traffic/high-volume facilities including arenas, airports, malls, stadiums, universities, educational institutions, healthcare facilities, building service contractors, and offices; as well as manufacturers including printers

Company Statistics

xpedx is a wholly-owned subsidiary of International Paper. Based in Loveland, Ohio, xpedx has more than 7,000 employees, including approximately 1,600 sales representatives and 2,000-plus sales service reps/technicians. The company has more than 100 distribution centers and 140 business stores in the U.S. and Mexico. The stores enable small and mid-size printers, businesses, and consumers to purchase small volumes of paper and other supplies. Products are also available through xpedx.com and suiteshoponline.com. With 1,200-plus trucks and more than 10 million square feet of warehouse space, xpedx can deliver shipments to multiple locations or hold orders until the customer is ready to use the products. xpedx will also arrange for automatic replenishment of regularly ordered supplies.

Since January 2005, xpedx has added 3 distribution centers for a total of 11 centers and 9 cash-and-carry paper stores from the U.S. border to Mexico City. Three business units (printing paper, packaging, and facilities supplies) are involved in the xpedx Mexico business. On the packaging side, major customers include electronics industry OEMs like Flextronics, Solectron, and Celestica.

xpedx is a relatively new name in the paper merchant business, but its heritage dates back to the days when James Monroe was President of the United States. Alling & Cory Co. (Rochester, NY), founded in 1819 as the first paper merchant in the U.S., is one of many merchant houses that has been acquired by International Paper over the past 20 years. Another early forerunner of xpedx is Bulkley Dunton (New York, NY), which opened for business in 1833 and continues to operate under that name today.

International Paper did not enter the distribution business until its acquisition of Hammermill in 1986, which brought with it Bulkley Dunton, Carter Rice Paper Co., Saalfeld, and other merchant companies. Through much of the 1990s, IP acquired many well-known merchant houses including Dixon in the Rockies, Dillard in the Southeastern U.S., Seaman Patrick in the Great Lakes, and Kirk on the West Coast. In 1993, IP created ResourceNet International, a new standalone identity for its merchant business. In late 1997, the company finalized its acquisition of Taussig's, a regional graphics supply and digital technology distribution company headquartered near Cleveland, greatly expanding its offering of prepress supplies and equipment. International Paper acquired the Zellerbach merchant organization in 1998, and changed the company's name to xpedx later that same year. Following IP's acquisitions of Union Camp in 1999 and Champion International in 2000, xpedx gained Alling & Cory as well as Nationwide Papers.

Today, xpedx operates xpedx-branded merchant houses across the U.S. and Mexico. It also operates under the names of Nationwide, Kirk, Western Paper, and Zellerbach in selected U.S. markets. Finally,

the North American network of xpedx-owned paper stores operates under the names xpedx Paper & Graphics, xpedx Paper Store, If It's Paper!, and Arvey Paper & Office Products.

Competitive Advantages

xpedx strives to be an important strategic business partner for commercial printing company owners, executives, and in-house printers. The company's strategy is to help printers upgrade and modernize their entire pressroom operations, develop profitable new growth, lower operating costs, and boost productivity. Working with printing companies' senior management, xpedx will analyze a printer's entire operation to identify all internal costs and production bottlenecks. xpedx designs a plan to help printers tightly integrate their systems and customize a digital workflow, as well as install and maintain print hardware/software systems and recommend supplies. The company can quantify its contribution to the printer's bottom line through detailed reports of annual cost savings and can also provide financing/lease options.

The company's other business segments—packaging and facility supplies—are also growing quickly. xpedx analyzes manufacturing and packaging lines and can design, install, and maintain complete packaging systems. Custom packaging equipment, consumables, and systems, as well as proven off-the-shelf applications, are offered by xpedx to reduce overall costs and improve production efficiency. The facility supplies business segment provides products, equipment, and specialists to high-traffic/high-volume facilities like arenas, airports, malls, stadiums, universities, healthcare institutions, and offices, as well as manufacturers including printers. These products help keep the workplace clean and sanitary, and employees safe and healthy.

Focusing on sales of half-size and DI presses, xpedx is the exclusive U.S. distributor of Ryobi-branded printing presses and equipment, as well as digital workflows. Due to the increased demand for premium-quality, quick-turnaround color work, this U.S. division will expand and strengthen its national sales and technical support network through 2006. The company is also finalizing plans to develop a new multi-million-dollar national demonstration center in metropolitan Kansas City. Don Harvey, a 30-year industry veteran, is the new Vice President and General Manager of the Ryobi division. The new center is expected to open in mid 2006. xpedx just gave its Ryobi sales division a new name: xpedx Printing Technologies.

Products on display at the PRINT 05 tradeshow included:

- The RYOBI 758S, a new eight-color press with perfecting and UV curing
- The 3404X-DI (UV), a new DI press that uses hybrid UV inks
- Smart Net, a complete MIS/workflow system that can integrate all aspects of a printing business in real time

Another new product is the RYOBI 784EP, a B-2 size 4-color, 6-up offset unit with an automatic convertible perfecting device.

Ryobi now has pressroom installations in more than 160 nations worldwide. xpedx Printing Technologies currently has 50 dealers across the United States that are responsible for local sales and service. These dealers are backed up by the xpedx Printing Technologies headquarters, technical center, and parts warehouse in metro Kansas City. The independent dealers give printers a local market presence and quick service response times. Ryobi dealers also receive expanded press training, parts supply, technical, sales, and marketing support.

xpedx.com is an e-commerce site that claims to be one of the busiest in the paper and printing industries, and this site is an important part of xpedx's business strategy. xpedx.com is discussed in greater detail later in this report.

xpedx Products

At first glance, xpedx could be described as a paper merchant. Upon closer inspection, however, one realizes that this company has many more facets than just paper. With the ability to offer many varied services to its customers, xpedx has become a one-stop shop for imaging and paper needs. As the company continues to grow, xpedx is also expanding its reputation as a "Paper Merchant Plus."

Table 2: xpedx's Business Segments and Products & Services

Business Segment	Products & Services
Paper	Mill-branded coated and uncoated; private-label coated and uncoated; all digital papers. Laser and inkjet; wide format papers; all specialty and non-specialty grades for sheetfed and web presses and copiers/printers.
Graphic Imaging	Prepress, on-press, and post-press supplies and equipment including workstations, scanners, production software, digital color printers/proofing, remote color proofing and remote monitoring, data storage, color measuring and management, servers, networking, backup, archiving, disaster recovery, digital front-ends, computer to film, computer to plate, computer to press, automatic film and plate processors, blankets, chemicals, electronic prepress, film, plates, ink, servers, stripping materials, tapes, wide format printers, bindery and finishing equipment and supplies, inkjet RIPs.
Packaging	Corrugated, cushioning materials, equipment, film, strapping, tapes, contract packaging & design, online ordering and status checks, fulfillment, kitting, package design, production line automation, and wrapping, as well as consultative services to ensure correct product placement.
Facility Supplies	Disposal systems, floor care supplies and equipment, general cleaning, hand and skin care, outdoor, towel/tissue and hygiene systems, business analysis, online ordering and status checks, product usage guides, training.
National Accounts	Products and services for retailers, printing and document management, supply chain, manufacturing.
xpedx Printing Technologies (Ryobi)	xpedx is the exclusive U.S. distributor of Ryobi presses and workflow solutions including small, medium, and large offset and D.I. presses as well as total print facility MIS/JDF digital workflow software that integrates all aspects of a printing facility.
Saalfeld	Products and services for re-distribution to small dealers of janitorial/sanitation supplies and equipment, food service, and towel and tissue supplies.
Bulkley Dunton	Paper for book, magazine, catalog, and insert publishers and printers. Total publishing service programs including sourcing, product selection, purchase strategies, price negotiations, order fulfillment, inventory maintenance and tracking, reporting, and outsourcing.
Corporate Accounts	Products, services, and specialized consulting for large and medium-sized corporations across the U.S. that enable these companies to reduce costs, increase quality, and improve efficiencies associated with printing, logistics/distribution, and consumables procurement.
xpedx Stores Division	With 140 stores in 32 states coast-to-coast, this is the largest merchant-owned retail store network in North America. It offers paper, packaging supplies, office products, and party supplies for small and medium-sized printers, businesses, governments, non-profits, and consumers. Stores operate under the names of xpedx Paper & Graphics, xpedx Paper Store, If It's Paper!, and Arvey Paper &

	Office Products.
xpedx.com	The xpedx e-Commerce engine provides online ordering, real-time order management features, inventory management, stock availability and price check, reporting, catalog search, re-order templates, knowledge base, and tools.
suiteshoponline.com	This site targets graphic design professionals and printers with special pricing on PANTONE products, paper, preconfigured or customized computer hardware and software, small quantity paper ordering capabilities, news and information, and PrePSchool, online training courses teaching popular design and prepress programs.

Paper Mills and Other xpedx Graphics Suppliers

xpedx carries a wide range of mill and private-label brand paper products. Mill products available from xpedx include Appleton, Appleton Coated, Avery Dennison, Boise Cascade, Domtar, Finch Pruyn, Fox River, Fraser Papers, French Paper, Georgia-Pacific, Gilbert Paper, Gmund, Hammermill, HP Indigo, International Paper, MACtac, Mohawk Fine Papers, NewPage, National Envelope, Neenah, P.H. Glatfelter, Sappi, Spinnaker, SMART Papers, Stora Enso, Wausau, West Linn Paper, and Weyerhaeuser. xpedx has long-term relationships with all of these companies, and many more.

xpedx offers its own brand of paper products that are available everywhere, while some mill brands have limited availability. xpedx also supports customers that use large format paper and supplies. Table 3 (below) outlines the suppliers that xpedx represents.

Other xpedx imaging suppliers include Agfa, Alameda Company, Apple, Artwork Systems, Canon, CGS, ColorBus, Color Burst, ColorByte, Creo (Kodak), Dell, DuPont, EFI, Epson, Escher-Grad, Esko-Graphics, GretagMacbeth, GMG, Highwater, HP, HumanEyes, Ihara, JetPlate, Konica Minolta, LucidDreams, Microsoft, Mitsubishi, Oki Data, Onyx, PolkaDots, Printware, Prolatus, Screen, X-Rite, Xante, and Xitron.

Private-Label Paper Products

xpedx offers the Sphere product line to its national accounts and resellers. For commercial printers, the company offers Matrix, Balboa, Commerce, Jefferson Spirit, and Camelot Classique brands marketed under The House Collection.

Vector

One of xpedx's newest paper products is a private-branded Vector line of printing papers for business imaging and digital printing markets. Vector was announced at the ON DEMAND expo in May 2005, and xpedx considers it to be a high-performance, high-quality business imaging and digital printing paper line that is offered at value prices. The coated and multipurpose papers are precision-sheeted and have been tested on various major OEM printing devices, including laser and inkjet printers, plain-paper fax machines, high-speed copiers, offset presses, and direct imaging presses.

On September 6, 2005, xpedx announced a major quality and value improvement to its Vector Multi-Purpose business imaging papers line. The brightness was increased from 84 to 92, and the line was expanded to include new laser cut sheets, computer paper, and copier tabs. The new Vector Laser Cut Sheets are pre-punched and perforated and can be used on laser printers, inkjet printers, and high-speed copiers. Security paper is also available. The Vector Computer Paper is available in various weights and sizes. The Vector Copier Tabs are easily collated for index tab applications. Vector is available in the U.S. at 100 merchant house locations and 150 stores, as well as via xpedx.com. Multipurpose papers are also available nationwide at xpedx locations, while coated laser and DI papers are available in locations across the U.S. and Mexico.

Table 3: Vector Product Details

Product	Description	Sizes	Finishes	Types	Weights
Vector Coated Laser	Targets mid- and high-volume production printers	8.5" x 11", 11" x 17", 12" x 18"	Gloss, dull	90 brightness Text and Cover	80#, 100#
Vector DI Coated Offset	Designed for all digital offset presses	8.5" x 11", 11" x 17", 12" x 18", 12.5" x 19", 14" x 20", 18.125" x 12.375", 18" x 12", 1.5" x 11", 13" x 20"	Gloss, matte	87 brightness	80#, 100#
Vector Multi-Purpose Paper	Designed for inkjet and laser printers, high-speed copiers, and plain-paper faxes	8.5" x 11", 8.5" x 14", 11" x 17"	N/A	92 brightness	20#

xpedx recently launched a major new initiative to augment the brightness and whiteness of Vector papers, and it has also added computer papers, laser cut sheets, and copier tabs. xpedx will continue to add new products to the Vector line in the future.

Venture

Venture Multi Purpose Paper is made exclusively for xpedx. It reflects the company's commitment to the success of Minority- & Women-owned Business Enterprises (MWBE) in North America, and will be primarily offered to corporate buyers that are seeking a diversity spend. In producing Venture, xpedx partnered with a minority-owned company that converts, packages, and ships the paper. xpedx customers for this product include Fortune 2,000 companies that have made commitments to their boards and stockholders to support minority businesses. This product is designed for use in laser printers, offset presses, inkjet equipment, copiers, and multifunctional output devices, and is available in 92 brightness (20-lb). Venture is available in 8.5" x 11", 8.5" x 11" 3HP, 8.5" x 14", and 11" x 17" sizes.

ColorLok

ColorLok is a private-label brand that has been part of xpedx's product line for more than 10 years. It offers prepress, on-press, and post-press products including inks, cleansers, degreasers, and other pressroom chemicals.

Table 4: ColorLok Product Lineup

Prepress Supplies	Pressroom Supplies
Film	Aerosols
Film & Plate Chemicals	Pressroom Chemicals
Plastics	Pressroom Supplies
Plates	Printing Blankets
Proofing Papers	Inks, Coatings

The newest additions to this line are Contract and Imposition Digital Proofing Papers. Available in a range of weights, shades, and finishes, these high-resolution papers carry high ink loads. A premium two-sided inkjet coating yields high-resolution proofs. All ColorLok engineering rolls are universally compatible with all printing equipment and inks. ColorLok Wide Format Inkjet Media features coated bond, photobase papers, scrim vinyl, clear films, and other products. Newsproof media items are available in a variety of weights.

(Note: This ColorLok is separate from the recent Hewlett-Packard and International Paper announcement named ColorLok for HP papers)

xpedx Services

Contribution:Results (Co:Re)

xpedx conducts plant surveys that identify key performance metrics for equipment, personnel, and shift operation. xpedx uses the Contribution:Results (Co:Re) process to determine short- and long-term goals for prepress, workflow, and fulfillment. It works with customers to establish purchasing and management objectives. Once the analysis is complete, xpedx recommends strategies for improving operations and purchasing, then helps customers implement and track those steps so generated savings can be quantified.

National Technology Center (NTC)

Opened in 1996, xpedx's National Technology Center in Twinsburg, Ohio provides a fully-networked environment that enables printers to test and analyze the latest digital solutions and workflow configurations from a variety of vendors. The xpedx NTC services include business continuance/disaster recovery systems, color management, remote proofing, and digital workflows. Its technical capabilities cover creative and design, proofing, and final output.

As a way to see most of the technologies in one place, customers can run their own files, and print, proof, and send jobs directly to press. Printers can analyze and test combinations of equipment and software, and obtain information about acquisitions, financing/leasing, installations, and 24/7 technical support. The idea behind the center is to provide a solution that fits customers' needs rather than just a printed product. The staff at the center will learn and understand the goals of the customer and eliminate any unnecessary products and processes that do not fit their needs.

The xpedx NTC has a national network of local digital imaging experts who offer an unbiased expert perspective (not just vendor-driven) on a printer's needs and the newest technological innovations. Potential customers visit the center from one to three days, bringing their own files that they can use themselves on various pieces of equipment within the center. The xpedx NTC is a beta test center for

Apple, Dell, and HP/Compaq, and is a value-added reseller for each of these companies. In addition, it provides advisory services to Microsoft and IBM. The company claims that this is the only prepress and IT center for print professionals of its kind in North America.

suiteshoponline.com

xpedx's new SuiteShop online resource (www.suiteshoponline.com) offers prepress training, color management tools, printing papers, hardware, and graphics software. SuiteShop is designed to meet the needs of printers, designers, and other graphics professionals so they can save time, produce quality printed pieces, and boost profitability.

SuiteShop includes:

- Online training: PrePSchool is a collection of easy-to-use online training courses in prepress and design topics including Photoshop, InDesign, Illustrator, QuarkXPress, Microsoft Publisher, Creo Preps, Enfocus, and PitStop. More than 40 courses for MAC and PC users are accessible for a one-time fee. PrePSchool, driven by Prepress Training Solutions, also provides a Learning Management System that enables companies to manage, oversee, and coach their employees who take the course. SuiteShop's PrePSchool courses are up to two hours long and are presented via the Web in 5- to 15-minute modules. All courses are available around the clock throughout the 12-month contract period for less than \$300 per seat annually, purchased exclusively from xpedx at suiteshoponline.com. Multiple seat discounts for print shops, design agencies, and colleges/universities are available.
- Color management: All PANTONE chips, books, tools, and software are available to SuiteShop and xpedx customers at discount pricing. xpedx is the only paper merchant to sell PANTONE products.
- Paper: SuiteShop users can purchase papers from Gmund's Treasury Collection as well as the 5/500 swatchbook/portfolio of custom papers. Both are luxury specialty papers that are represented exclusively by xpedx in the United States. Site users can also follow a link to The PaperMill Store, where they can buy mill-branded premium papers and envelopes in small-count packs for immediate shipment. (Customers entering a favorite xpedx merchant code will receive a 3% savings on the order.)
- PCs, MACs, and graphics software: Users receive personalized consulting from an xpedx graphics equipment representative, plus exclusive pricing on Apple and Dell computers and graphics software. The software includes QuarkXPress, Adobe Creative Suite (including Photoshop, Illustrator, InDesign, and Version Cue file manager), EFI ColorProof, and EFI Designer Edition.

Premium Paper Design

xpedx enables customers to create their own premium paper products entirely to their own specifications. It also allows for ordering in very small quantities. xpedx claims that both of these features are significant, "first ever" developments in the graphics industry. The service, called 5/500, translates to 500 pounds of custom-made paper available for delivery in just five weeks. A sample can be provided for the customer in 2 ½ weeks. The supplier is Gmund. xpedx is Gmund's exclusive U.S. distributor for 5/500.

Spec Reps

xpedx has a national specification sales force of nearly 50 people who advise and provide support on paper selection, but also offer counsel and knowledge beyond the print medium. Merchant representatives are not aligned with a particular mill, and are therefore free to recommend the optimal paper for each project.

In support of the representatives, a new initiative is in place to educate designers nationwide about the importance of maintaining control over their paper specification choice throughout the entire print production process. It is called "Respect the Spec" to remind all graphics professionals about the importance of holding the paper specification. The printer or client may change the designer's paper choice for a variety of reasons, including price and availability. Nevertheless, changing the specification

can have a negative impact on the quality of the final printed piece. The xpedx National Specification Council was created to bring best practices to the art and science of specification across the United States. The council is made up of eight top specification representatives from different regions.

xpedx Customers

With more than \$6 billion in sales, xpedx's core customer base consists of printing and imaging customers. During 2004, xpedx's sales within the printing segment surpassed \$3.5 billion. Having formed strong, well-established relationships with many paper mills, xpedx is now also building relationships with OEMs. For example, xpedx is now the exclusive merchant for HP-branded Indigo media. In addition to distribution, xpedx is also now involved in developing new grades of media due to its knowledge of hardware and software, as well as paper.

xpedx.com provides an increasingly important avenue for the company's customers. It also helps printers reduce costs and better track orders. This site currently services more than 5,000 customers, and 2004 sales stood at \$613 million. In that same year, more than 2.8 million customer service requests were handled.

Conclusion

xpedx's goal is to be the digital leader in all of the markets that it serves, including media/paper, select equipment, and ink/toner solutions; customer awareness/education; and many other consultative services across prepress, on-press, and post-press. The biggest challenge for today's commercial printers is to convert their analog workflow to a digital process, or to upgrade and modernize presses and the workflow to include remote service, remote proofing, soft proofing, state-of-the-art color management, and data storage capabilities. xpedx assists printers in making the right decision on pressroom technology and supplies, and can even help the printer finance it. With this kind of assistance, xpedx presents a compelling argument for businesses that are involved in any type of printing for services, products, or consultation.

Cathy Martin