

By **MONICA SHAW**, Editor

Designed for deadlines

MeadWestvaco's regional CNK Express program allows customer access to coated board products on a next-day basis, opening doors to a new customer base

Reaching as many customers as possible is key to offsetting the tough North American market, a fact that has not been overlooked by MeadWestvaco's Coated Board Div., headquartered in Phenix City, Ala. A series of customer surveys and careful analysis of inventory patterns fueled the creation of the CNK Express program, designed to capture new customers and encourage existing ones to use more of MeadWestvaco's trademarked Custom Kote

coated natural kraft (CNK) paperboard.

To grow business for Custom Kote, the version of MeadWestvaco's CNK board designed for folding carton applications, MeadWestvaco started CNK Express. At regional warehouses, this inventory program stocks the most popular calipers in various roll sizes, allowing orders placed by 2:00pm in that time zone to be shipped or picked up the next day.

Starting in 2001 with a warehouse in

Chicago, Ill., CNK Express now has locations in City of Industry, Calif., and Atlanta, Ga. According to Michael Skrovaneck, MeadWestvaco vice-president of marketing for the Coated Board Div., the program has been a "great success," a sentiment that is echoed by CNK Express customers (see sidebar, p. 28).

"We are expanding our customer mix by getting more orders from smaller customers," says Skrovaneck. "Given the time compression from end users that must adapt quickly for promotional opportunities, these converters can't work with two-week mill lead times. CNK Express gets our product into the marketplace so that customers don't have to turn down orders, or choose another substrate, that could be on CNK."

Origins of CNK Express

Originally used mainly for beverage carriers, CNK, MeadWestvaco's trademarked name for coated unbleached kraft board, continues to make inroads in the folding carton market, boasting a higher strength, lower cost, and comparable quality to competing substrates.

MeadWestvaco produces two grades of CNK at the Mahrt mill in Cottonton, Ala.: Carrier Kote, aimed at the beverage packaging market, and Custom Kote for nonbeverage folding cartons. Custom Kote accounts for about 30% of the 1 million tpy of board made at the mill, but the number is growing somewhat, with help from the market and CNK Express.

In recent years, demand for the wet-strength Carrier Kote grade, sold mainly to large beverage producers such as Coke, Pepsi, and Anheuser-Busch, has been lagging, fueled in part by changing consumer patterns such as consumption of liquor instead of beer and substitution to plastics. This trend highlighted the growth potential for Custom Kote, which is sold for a wide range of applications, but MeadWestvaco had to dispel anxieties about product availability.

Bill Beck (right), director of marketing operations, and Gary Baker, manager of planning and inventory, for MeadWestvaco's Coated Board Div., at the AllSouth Warehouse in Atlanta — the latest location for the CNK Express program, serving the Southeast.



“Ten years worth of survey data revealed an underlying perception among folding carton customers that Custom Kote might be hard to get because we would be making beverage cartons, especially during the summer months, despite the fact the data did not support those concerns,” explains Skrovanek.

As MeadWestvaco began to study ways to boost Custom Kote sales in 2001, regional account managers suggested another problem: lead times. Many folding carton customers are small, regional converters that attract business by providing fast turn-around. The Mahrt mill is predominantly make-to-order. With a two-week production run cycle compounded by the transit time to ship from the mill to the customer, MeadWestvaco’s responsiveness was limited, especially for such small orders.

“If we shortened our run cycle or offered more calipers more often during the cycle, it would be a tremendous cost impact on the mill because of waste from grade changes,” says Bill Beck, director of marketing operations for MeadWestvaco’s Coated Board Div. at the Mahrt mill. “The other option was to put inventory close to customers, estimating that working capital won’t take a hit if we offer the right sizes and calipers.”

In the past, Beck adds, companies made paper and stored it, discussing volume in terms of tons. “Today, we manage with cash flow and working capital numbers,” he explains.

Carefully analyzing sales and inventory levels, as well as buying trends of the customers it sought to attract, MeadWestvaco chose variations of four calipers and 10 roll widths to stock at its first regional warehouse

in Chicago in 2002. Chicago was deemed the first spot to try with CNK Express due to the high concentration of customers in the Midwest. City of Industry followed in late 2002 to support the West Coast, while Atlanta was added in January 2006 (Figure 1).

Serving the small guy

Although CNK Express receives orders from large multi-national customers experiencing an unanticipated requirement for coated board, most CNK Express customers are smaller regional packaging converters or printers that do small amounts of folding carton work. These providers thrive through offering quick turnaround times, but cannot store much inventory and order relatively smaller amounts of board.

“Getting into a mill schedule for a five or

FIGURE 1.
Geographic layout of CNK Express warehouse locations

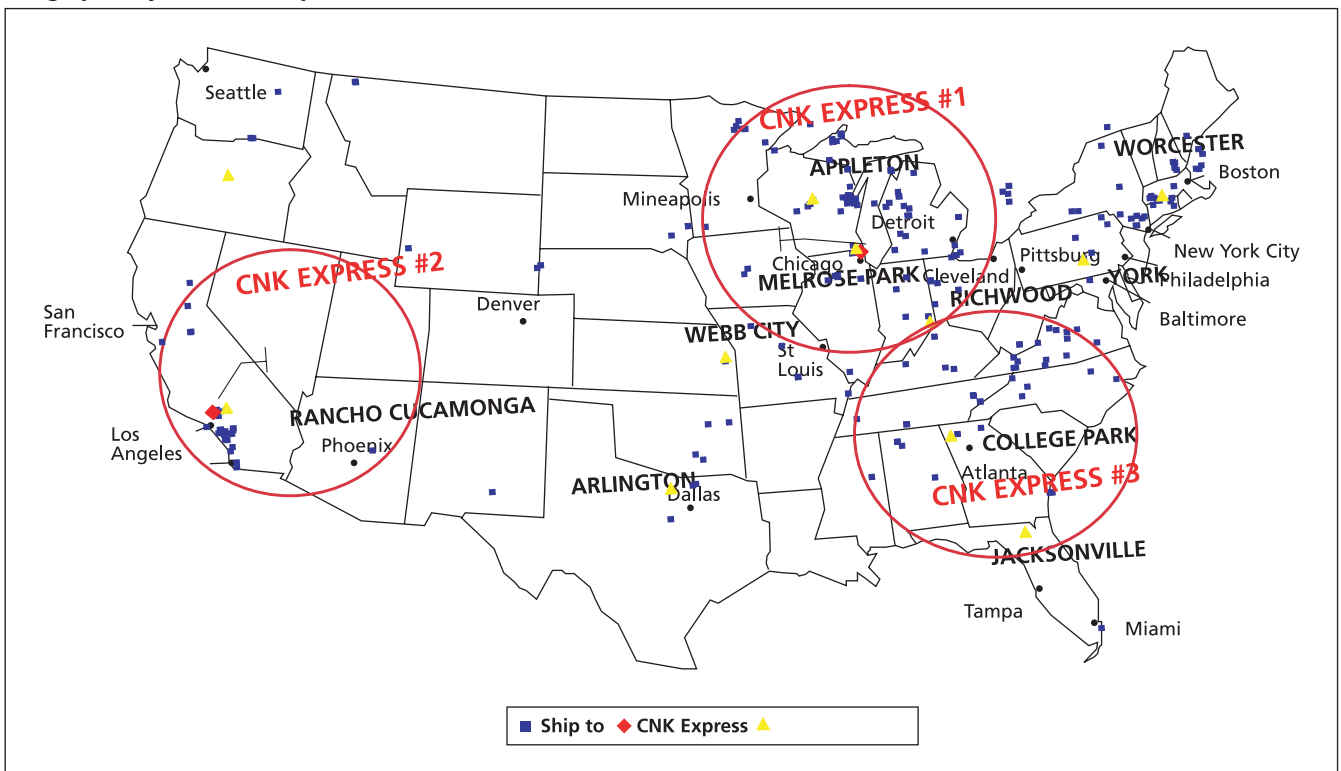


TABLE 1.

Calipers and sizes now offered through the CNK Express program

Roll Widths	Calipers			
	.018	.020	.024	.028
23.5 in.		✓	✓	✓
26.5 in.		✓	✓	✓
28.5 in.	✓	✓	✓	✓
30.5 in.			✓	✓
32.5 in.	✓		✓	✓
36.5 in.	✓	✓	✓	✓
38.5 in.	✓	✓	✓	✓
40 in.	✓			✓
42.5 in.			✓	

ten ton order can be challenging, and then there's the cost involved for shipping to a location far from our mill in Alabama," Beck explains. "But with CNK Express, the converter may already have a truck going to the regional warehouse and can cost effectively pick up the Custom Kote."

Local converters and printers produce packaging with Custom Kote for everything from hardware and sporting goods to frozen foods, and turnaround is often critical.

"In the frozen food market, a converter's customer may need to quickly change label copy to reveal, for example, trans fat, a hot topic right now," describes Skrovanek. "Without Custom Kote on their floor or an

order in the system, they might substitute a competitive substrate that would be functional in the marketplace, despite absorbing a higher cost to do so, even though our grade is specified. With CNK Express inventories, our product stays handy and we don't lose business to substitutions."

While there is a slight price increase for board purchased through the Express program, the pricing is still "competitive" with mill direct, says Skrovanek, especially when presses must be kept running and to avoid turning down orders. Customers also indicate that most of their clients are willing to pay somewhat higher prices for the fast turnaround (see sidebar below).

customers in focus

Midwestern converters make the most of CNK Express

To gauge reception of MeadWestvaco's CNK Express program among the smaller customers it seeks to engage, *Pulp & Paper* recently spoke with two of them served by the regional warehouse in Chicago, Ill.: Warren Packaging in Davenport, Iowa, and Graph-Pak in Franklin Park, Ill.

Warren Packaging: A small regional provider of paperboard packaging for mostly industrial uses, Warren's yearly sales are about \$7-8 million. Its clients include Oral B, John Deere, Wahl Clipper, and NTN Bearings – a customer group that is within several hundred miles of its location. According to Jim Ehmke, Warren's plant manager, CNK Express has opened doors to new business and better serving existing customers.

"We don't keep a substantial inventory, so CNK Express has opened opportunities for us, especially for short- to moderate- range clients, by providing board in a matter of days, not weeks," Ehmke describes. "Previously, when a client needed an item in two weeks, we had to make concessions to suit what the market had to bear or what paper we had in inventory. Now, we don't necessarily have to do that, because we have more flexibility."

MeadWestvaco is the only one of Warren's suppliers to provide an offering like CNK Express, and Ehmke says that it is using 20-25% more of MeadWestvaco's board as a result, describing the program as "very user friendly."

"Number one, the board comes out of Chicago – just three hours away, and we have trucks going there on a regular basis," Ehmke explains. "Then, from a price perspective, we may a little bit more, but it is still within reason – particularly for the type of clientele we serve and the quantities involved. For our market, CNK Express is ideal."

While price is very important, says Ehmke, so are other factors.

"We have an established clientele and I believe our clients see us as a good provider, so if somebody calls me and has paper at a ridiculously low price, I am not interested," Ehmke describes. "We like to use paper from suppliers we've used before – those we trust to supply the best quality. MeadWestvaco fills those requirements, as well as a few of our other suppliers."

Graph-Pak: With sales of around \$20 million, Graph-Pak is a medium-size provider of folding cartons for a wide variety of items located near Chicago. According to Wendy Klusendorf, paper buyer, the majority of Graph-Pak clients want their products within a two- to three-week timeframe.

"Clients need to keep their lines running, and we pull out the stops to make it happen for them," explains Klusendorf. "To that end, CNK Express helps everyone."

When a last-minute order is received, Klusendorf says Graph-Pak often turns to the CNK Express program, determining if there are roll sizes that fit, fit without incurring too much trim loss, or if the sheet can be redesigned to fit a particular size.

"Our customers like the way the Custom Kote sheet prints, and it is structurally strong due to the virgin fiber," Klusendorf says. "It is a higher end substrate, plus it is readily available through CNK Express. We go to the program quite a bit, because it is kind of a buffer for the turnarounds that are required."

Klusendorf also says the program helps start relationships with new clients. "I know it helps when clients are out there searching for the company that can provide the best date," she notes.

To market the smaller customers, MeadWestvaco has used direct mail sent to converters and commercial printers within a 500-mile radius of each warehouse, as well as more broadly distributed press releases. Sales reps also provide information on calls, and a website, cnkexpress.com, allows potential customers to check availability.

Administering the program

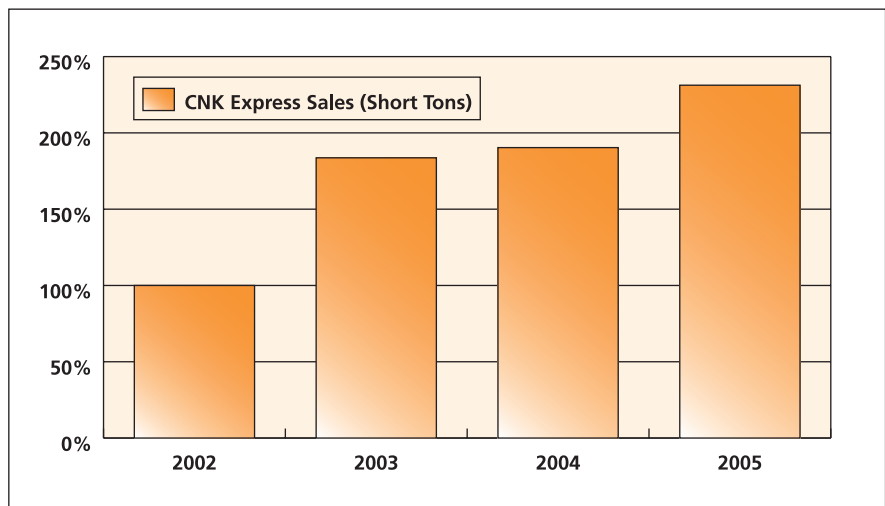
Administration of CNK Express is done from the Mahrt mill with support from two account managers, a mill production planner, and Gary Baker, who is manager of planning and inventory for MeadWestvaco's Coated Board Div. This team meets twice yearly with regional account managers to keep tabs on how particular calipers and roll sizes are moving through the program, managing the program at the item level.

"We review the sales out of every SKU, the inventory level, and the aging of the inventory, which helps us determine how fast each item is turning and ensures first in/first out movement of the products," Baker explains. "We did this four times a year at first and then realized we were making changes too frequently, so we dropped back to two."

"Turns" are basically annual sales divided by average inventory. Reviews are conducted in April and October for each

FIGURE 2.

CNK express sales (vs. baseline)



regional warehouse, and items that do not turn four times a year are removed from the replenishment cycle, which has occurred in several cases, says Baker. Likewise, if an item level shows a high number of turns, its inventory is increased at the designated location.

Information technology (IT) systems are key to supporting the CNK Express order and fulfillment process. With SAP as the back-end system, the cnkexpress.com website can display availability and take orders, which are

processed through the mill and communicated to the warehouse.

The AllSouth Warehouse in Atlanta (see sidebar below), for example, has an account through this system for inventory control purposes, where it receives reports for inbound, outbound, and storage, and generates bill of ladings. Sales orders are processed through customer service at the Mahrt mill, and then a shipment release is electronically posted to a report that the warehouse receives several times a day.

warehouse trends

Regional warehouse says paper companies are managing business better

The AllSouth Warehouse in Atlanta where MeadWestvaco stores paper for the CNK Express program is no stranger to inventory trends within the paper industry. About 75% of its current 500,000-ft² space holds paper products, and it has seen big changes in how these items are moved in the last three to five years, according to AllSouth sales manager Don Powell.

AllSouth warehouses paper from a variety of paper producers throughout the U.S., Canada, and even Europe, keeping 40,000 to 60,000 tons on the floor depending on the season. The warehouse has the capability to own/lease up to 750,000 ft², and, at one

point in history, MeadWestvaco took over 200,000 ft² of that space, says Powell.

"Paper has started to turn more as a commodity than to just cyclically expand and contract, so it's a little more even keel with more turns, which suits us just fine," Powell describes.

Powell reports there is even more volume going through than in some years past. Why has warehouse space for paper products shrunk in the last three to five years?

"I think it's 100% directly in line with the fact that paper companies are managing their business better," he notes.

While most CNK Express orders are picked up by customers, MeadWestvaco does provide delivery through its warehouse providers when necessary.

Results show momentum

Starting with the Chicago location in 2002, the CNK Express program was off to a flying start. In the case of starting up the Atlanta program, MeadWestvaco received an order almost before stock was on the floor — and from a customer which market analysis would not have predicted, says Beck. Figure 2 shows the growth in sales of Custom Kote from the CNK Express program since its inception.

Both Beck and Baker say the program is helping customers grow, just as MeadWestvaco is growing its business.

“Customers have a secure source of coated board now, and they can jump in and quickly pursue trial or promotional business with a new customer,” Beck describes. “If that business becomes repetitive, we can grow them over to mill production, which is part of our strategy. We don’t expect all of our business to go through CNK Express, but we can grow our mill-based business out of our customers’ attracting new customers.”

Sales through CNK do have to offset the costs for warehousing the product at regional

distribution facilities, and this tradeoff is monitored carefully, says Baker. This tradeoff has not been a problem.

“Our goal when we initially put this program in was to have four turns of every one of the products, every one of the SKUs, within two years,” Baker explains. “Last year, the turns were five, so we’ve exceeded our goals from a turn standpoint.”

There are high expectations for growing business in the Southeast through the latest CNK Express location in Atlanta. Also, MeadWestvaco is considering locations in the Northeast and Northwest to reach the concentrated customer bases there. **P&P**