Achieving Industry Connectivity

To be an effective and sustainable center for paper industry studies, CPBIS must enjoy widespread connectivity within and across both the academic and industry communities. Establishing effective relationships with the latter community has been a complex task. In some respects, it has been both straightforward and gratifying. The industry has generously provided broad philosophical, financial, and in-kind support, as well as general guidance and direction. At the same time, generating the needed industry-wide connectivity for the Center’s core research program has been more challenging. Generally speaking, the industry is wary of outsiders looking closely at its operations. Many firms and production facilities have understandable and justifiable concerns about antitrust issues, security of proprietary information, and various kinds of legal exposure. Together, these concerns have created barriers to field-level research and data collection efforts.

The Center has undertaken a series of steps aimed at breaking down these barriers. With the help of legal counsel, we have created instruments (“participant agreements”) that are designed to protect industry participants and academic interests by delineating the scope of on-site CPBIS research efforts, specifying limits and conditions on the disclosure and use of the data collected, and protecting the confidentiality of all industry participants, both individuals and firms. We are confident that these legal instruments, together with their associated policies and procedures, will make it easier for industry to join CPBIS in its commitment to undertake observation-based field research that will benefit the industry as a whole.

Deploying Student Power

CPBIS internships reside at the intersection of the Center’s research and education missions and benefit from close collaboration with individual firms. Carefully selected, highly qualified students can spend a summer or semester in residence at a host company facility. While there, the student enjoys a real-world learning opportunity that complements and advances his or her on-campus academic pursuits and, in return, conducts research in an area of interest to both the student and the host company. Among the student-company partnerships that have recently benefited in this way is the pairing of Stephen Makris and Stora Enso North America.

Steve started his post-secondary academic career by obtaining a chemical engineering degree at the University of New Hampshire. Subsequently, he distinguished himself as a Ph.D. candidate at IPST and, in his spare time, completed the requirements for a Georgia Tech Master’s degree in Management. Meanwhile, his interest in business aspects of the industry has continued to grow. With this background, it was no surprise when Steve emerged as a prime candidate for a CPBIS internship earlier this year.

With the help of CPBIS Executive Director Jim McNutt, Steve identified Stora Enso’s Chicago office as a willing host and co-beneficiary. While there, he advanced his academic program by conducting, under the direction of Stora Enso management, a thorough analysis of a specific
North American market segment in relation to the company’s internal capabilities and resources, and developed and analyzed strategic options based upon the fit between market conditions and internal resources. Stora Enso management, by its expression of satisfaction with Steve’s work, confirms the value of the internship concept.

Students and companies wishing to learn more about CPBIS internship opportunities are invited to contact any of us. For our contact information; see http://www.paperstudies.org/people/mgtteam.html

Research Update: Price Behavior
An outcome of the July 24 Industry Advisory Board meeting was a decision to periodically prepare, for each CPBIS research project, a 1-2 page “Research Update,” summarizing the objectives, status, direction, anticipated results, and industrial implications of the project. For the benefit of readers of this Newsletter, we will present abstracts of these updates in a regularly appearing Newsletter feature.

In a previous issue (Feb. 21, 2002), an article by Professor Haizheng Li introduced the project, “Price Behavior in the Pulp and Paper Industry.” Since then, Li and his team of co-investigators have made progress in five key areas:

- Price forecasting;
- Inventory and price change;
- Supply and demand side effects on price;
- Demand structure in China; and
- Industry consolidation effect on price and profit margin.

The project is addressing two important questions:

- Can prices be forecasted more effectively than in currently prevalent models?
- What are the key variables influencing pricing in the industry?

Among the key findings to date:

- Price forecasts developed as part of this project generally perform better than the published industry forecasts on price
- For short-term forecasting, sophisticated models may not always do a better job.
- Behavior models under construction may be expected to predict the probability of short-term price change (increase or decrease) based on the level of inventory at the beginning of the period.
- The effect of inventory on price increase and decrease is asymmetric.
- A supply/demand system being developed will help find the effect of the changes from the demand side and the supply side on price by providing a number of elasticities.
- In the Chinese market, which has important implications for the US industry, elasticity studies suggest that imports are a substitute for domestic products but domestic products are not a substitute for imported products.
- Preliminary findings in a study of the impact of industry consolidation on price and profit margin suggest that the effect is very small.

These results have direct utility for forecasting prices in the industry. They may also inform strategy and help firms manage inventory more effectively.

For additional information on this project, please contact one of the co-investigators:
- Haizheng Li, haizheng.li@econ.gatech.edu
- J.C. Lu, jelu@isye.gatech.edu
- Pat McCarthy, patrick.mccarthy@econ.gatech.edu

Kudos For Usselman
The July issue of this Newsletter introduced you to Steve Usselman, Associate Professor in the GT School of History, Technology and Society and CPBIS’ new Associate Director, Research. We are now pleased to report that his recent book, “Regulating Railroad Innovation” (Cambridge University Press), is this year's recipient of the Railroad History Association’s Hilton Prize. This news follows the announcement, earlier this year, that the same book earned Steve the Ellis Hawley prize of the Organization of American Historians. Among Steve’s current research interests are relevant aspects of the history of the paper industry.

Upcoming Events
“Revitalizing the Paper Business,” two sessions sponsored by CPBIS and TAPPI at TAPPI’s Fall Technical Conference in Chicago on October 27. The sessions will feature valuable insights into the business aspects of the industry, presented by CPBIS researchers and well-known industry experts. See the program for Sessions 2 and 11 at http://tappi.org/content/pdf/events/03fall_tp.pdf