

Challenging the Market Change

David Connett MIEEE, MIDM
Recycler Trade Magazine



Ground Rules

- Please turn off your mobile phone
- The only silly question is the one you don't ask
- If you want me to stop talking you can either:
 - get up and leave
 - buy me a beer
 - But please don't throw anything – I bruise easily
- If you want to speak please put up your hand.
- This is your conference – make the most of it.



About The Recycler Trade Magazine

- First published 1992
- 100% focused on the Toner & Inkjet market
- Published monthly in English & Spanish
- Global circulation
- Read by decision makers



About Remax Trade Shows

- First show in Paris in 2000
- 100% focused on the Toner & Inkjet market
- Remax 2006 in Barcelona, Spain, 5 – 7 April
- Remax Asia Pacific – Gold Coast, Australia, 13 – 15 July



EU Market Volumes

	Mono Laser	Colour Laser	Inkjet
All Cartridge Sales	133.2M	13.4M	252M
OEM Cartridge Sales	89.2M	11.2M	116M
Remanufactured Cartridge Sales	30.6M	0.7M	29M
Compatible Cartridge Sales	3.9M	N/A	85.5M
Grey / Irregular Sales Estimate.	9.3M	0.1M	21.4M
Empties Recovered in Region	32M	0.6M	31.8M
Market Share	22.9%	5.0%	11.5%



EU Industry Stats & Growth

	Mono Laser	Colour Laser	Inkjet
No Remanufacturers in sector	1465	120	1985
Monthly Average per Remanufacturer	1740	486	1114
OEM Growth 2004	6.20%	N/A	21.10%
OEM Growth 2005	14.00%	268.00%	9.00%
OEM Growth 2006	11.00%	268.00%	6.00%



OEM Issues

- Oil prices
 - Higher material costs
 - Higher transportation costs
- Shrinkage
 - The OEM market has reduced by around 3% this year.
- Supply Chain
 - OEM's have “stuffed” the supply chain to improve sales – dealer orders now reducing.



OEM Issues

- Traditional market erosion
 - Staples and the like realise they can make more profit from after market products and their focus is changing.



Dealer.Co.EU

- Imaging supplies turnover is €10M
- 23% of sales are after market
- Average OEM price is €64
- Average reman price is €49

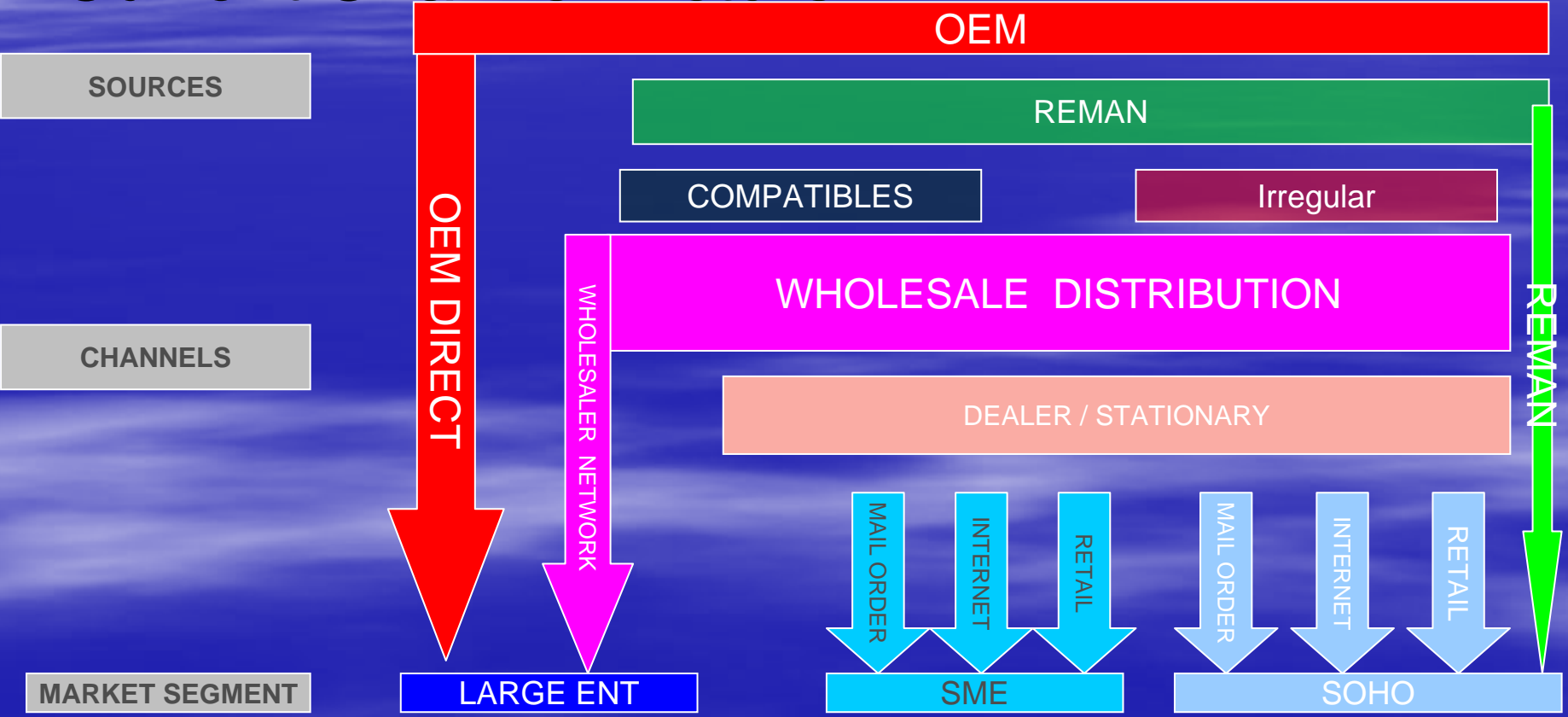


What's it worth?

OEM		Remanufactured	
■ Unit Sales	120,300	■ Unit sales	47,000
■ Value sales	€7.7M	■ Value sales	€2.3M
■ GP @ 5%	€367K	■ GP@30%	€531K



Current Channel Picture





Challenges

- Environmental considerations
- Rising Costs (labour, Materials & Overhead)
- Weak dollar (reducing export opportunities)
- Low cost / High quality Imports
- Strong dealer market
- Intellectual Property
- Regionalisation
- Counterfeit empties



Environmental Considerations (Cost of compliance)

- Cartridges ARE waste
- Waste disposal – only 1 licensed site for toner
- Waste ink cannot be put into the drainage system
- Licensing of premises for the storage of waste
- Staff training
- Cross border shipping of empties – Green / Amber / Red
- Illegal movements ARE criminal offences in some countries.



Opportunities

- Colour
- Retail
- Distribution
- Branding



Colour

- The best selling colour is BLACK
- Colour laser growing rapidly
- Remanufacturing industry just getting started
- Colour will overtake monochrome within 5 years.
- Ink is penetration the SOHO market
- Shop fill solutions will increase
- Toner, Ink & Chip technology are main barriers to growth.
- Market ready for remanufactured, bit is the industry ready for the market?



Retail

- Generates highest return
- Rebalance customer profile
- Open a retail / factory outlet?
- Raise brand awareness



Distribution

- Effective distribution - ALWAYS
- Right first time
- Always on time
- Reverse logistics for empties
- Other products (paper / stationary?)



Branding

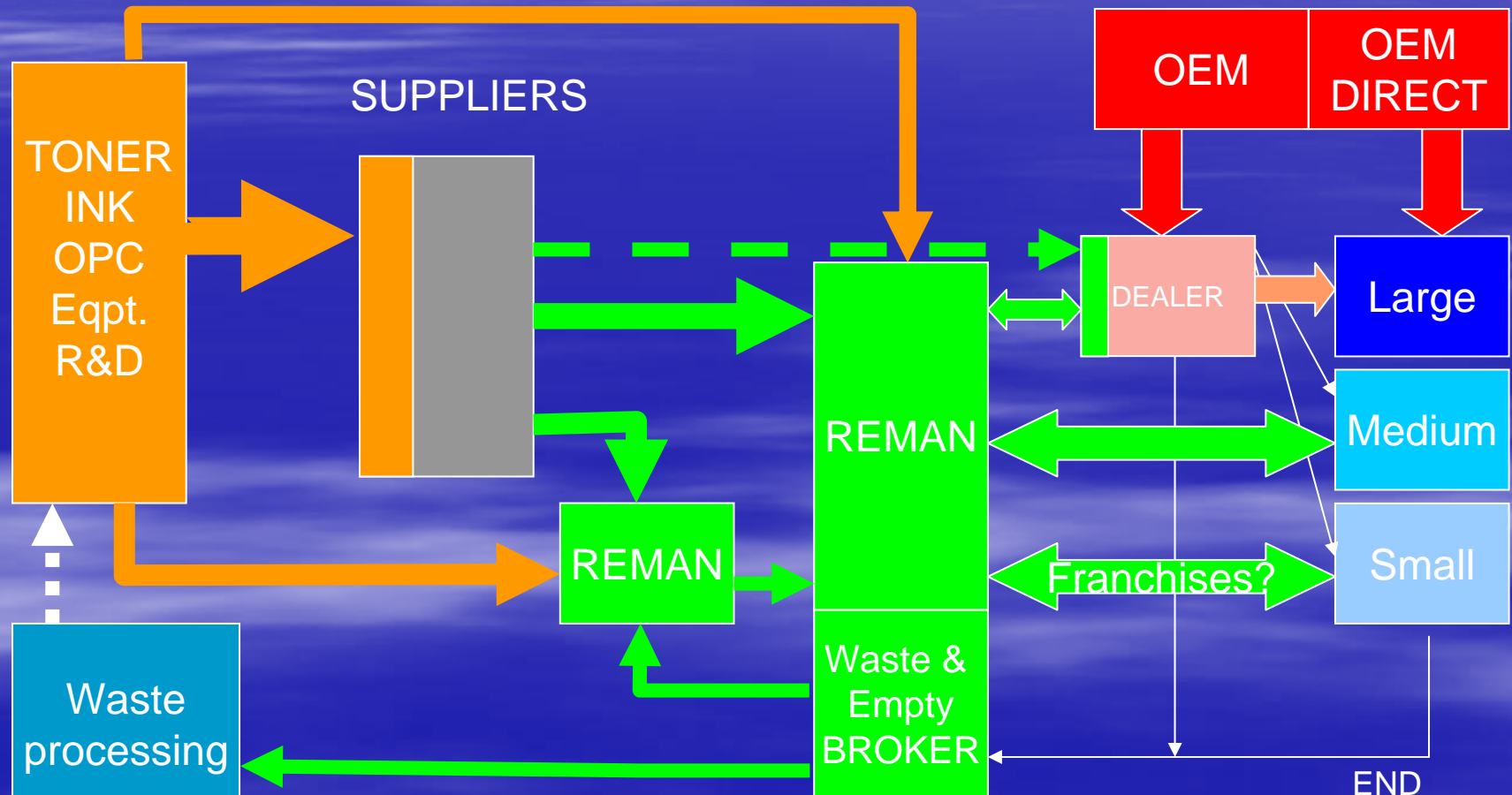
- After HP – “Remanufactured” is the largest selling brand
- Public awareness is low, but getting better
- Quality is everything
- Industry Standard?
- You are as strong as your weakest link
- The DVD!



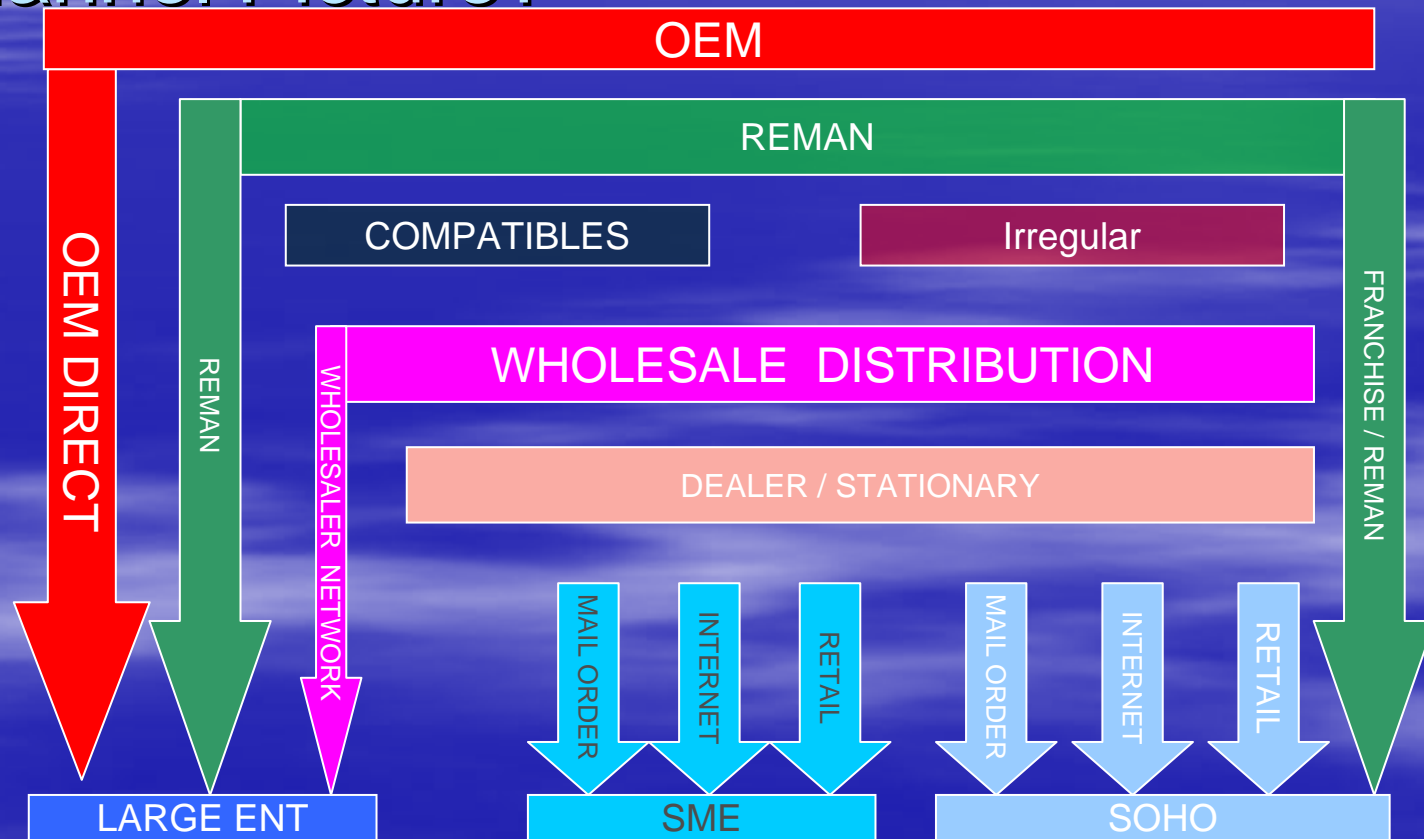
Future Outlook

- Consolidation
- Fewer companies will be doing more
- 3 companies have a combined capacity of 500,000 laser & 1,000,000 inkjets per month.
- Small is good
- Big is good
- Mid size will feel the pinch

Remanufacturing in the future?



Future Channel Picture?





Remanufacturing

Is the industry of the 21st century



That's all folks!

- Thank you for your time – I am happy to answer any questions you may have during the conference.
- To receive a copy of this presentation please leave your business card at registration or email publisher@therecyclor.com