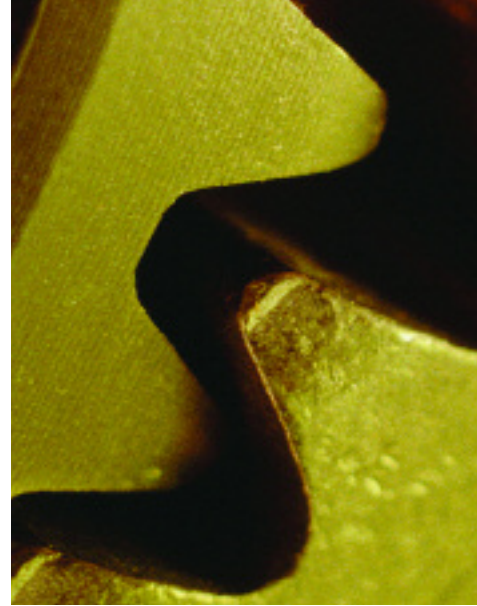


COMPATIBLES

NO LONGER A DIRTY WORD!

For many years reputable compatible manufacturers have struggled to be heard in a market dominated by the big OEM names such as HP, Canon and Epson. But things are changing.

BY JANE SMITH



Both Kores and JetTec have confirmed that confidence is growing and acceptability levels are increasing. Speaking with Q Imaging we have also been finding out more about their new build laser cartridges.

Market conditions certainly look right for marked growth in compatibles sales and the experts believe this new interest is down to a number of factors.

Firstly branding. With strong alternative brands like Xerox, Kores, Jet Tec, Q Imaging, and Greenman (to name but a few) available in the market place the 'compatibles' sector really does have credibility. It's human nature. If you're going to try something new you'd rather do so using a brand name that you know.

Secondly reliability and trial. Once consumers try the product, they realise that the product performs just as well as the original and so they continue to buy. The willingness to trial is beginning to increase and this is being driven by the OEMs continued high price policy – the third factor;

OEMs are continuing to keep their prices high and consumers' perception is that consumables are 'expensive'.

This is beginning to drive trial of alternatives, as savings up to 30% start to make economical sense.

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EYE CATCHING packaging and quality guarantees offered by companies like Armor reiterate the professional image purveyed by the reputable manufacturers.

Interestingly the government's Office of Fair Trading (OFT) has been looking at this area in quite a lot of detail recently, in conjunction with Which? And as part of an IT services study, they have concluded that there is much confusion and some OEMs have clouded issues in the past.

After sales costs for ink cartridges over 3 years can be anything up to twice the original price of the printer itself and 70% of consumers think they are too expensive. In addition there is little information available regarding the performance at the point of purchasing the printer. The OFT is recommending that a test standard is developed against which performance of inkjet cartridges can be measured uniformly and made available to retailers and consumers at point of sale. They have also recommended that inkjet printer manufacturers clarify their warranty statements. In particular they should make clear that they will not disclaim liability under warranties simply because a printer is used with a compatible cartridge.

All this is good news for compatible sales and starts to provide transparency where previously there has been 'confusion marketing' going on.

Whilst these recommendations refer to inkjet printers, the massive increase and future cost effective availability of colour laser printers will inevitably mean that this work will become the forerunner to 'standards' for all printers. It is also leading to interesting developments in the sale of machines and how businesses are

viewing printing costs (see Business Machines article).

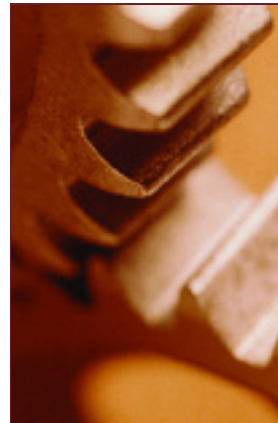
With regard to the products themselves, there is still a lot of confusion and lack of clarity when it comes to what is what in cartridges. So with expert help from some of the key compatibles manufacturers Kores, Q Imaging and Xerox here is a summary of the important bits you need to know.

An obvious one I know – but the market is huge and growing all the time!

The compatibles market still only achieves 18–20% market share. It can be split into Remanufactured product and New build product. And this applies to both inkjet and laser cartridges.

Leaders in new build inkjet cartridges, Kores explained the difference. From their point of view where integrated technology is used ie the ink or toner are combined with the print head or drum then they provide remanufactured alternatives but where the technology is separate eg an inkjet cartridge which is purely the ink tank (the print head is part of the printer) they build new. This is because there are expensive design patents and licenses to prevent new build alternatives on integrated technology.

Q Imaging manufacture New Build laser toner cartridges for use on HP, Canon and other brands. They are able to do this through huge investment in R&D which has got them around the design patents and license issues. Incidentally, HP and Canon



WHAT ARE THE SALES OPPORTUNITIES?

First of all it's probably not worth trying to convert the world and certainly there will be incentives for you to continue to support OEM brands. BUT, if a customer will not pay the price for the original, don't be tempted to lose money. You now have an option to offer them a compatible that can be relied upon. The customer can generally save up to 30% and you will probably find that you can increase your cash margin slightly at the same time.

The original market is still important accounting for 80% of sales. However, with pressure on transparency of performance and availability of information, coupled with continued high prices and the credibility of compatible manufacturers can provide, there will definitely be opportunities to grow.

And in terms of the market size as a whole, not only is it vast already, forecasters predict that volumes of computer-generated print are set to double every 3 years.

engines are actually one and the same thing. Canon is the OME and HP provide the sales and marketing channel.

To help me grasp the New Build versus Original versus Remanufacture concept even better Tim McFarlane of Q Imaging aligned the difference in the way we might think of the car market.

You may decide to buy a VW or Audi. Both cars are built new but one is basically a re-badge of the other with some cosmetic differences. Both are new with all new parts. The VW Passat being 18–22% cheaper than the Audi A4. That's like buying a New Build cartridge. Alternatively you may buy a second hand Audi. The dealer you buy it from will have carried out a full service, replaced worn parts, put in a new oil filter and oil etc and provided you with a full service history. That could be like buying a Remanufactured cartridge.

In both cases you would have a perceived value ie you would pay more for the Audi than a VW but you expect to pay a 'new' price for either, as apposed to a 'second hand' price. In terms of performance you could probably expect similar comparisons. There is more of a risk of quality associated to a second hand car but provided you buy it from a reputable dealer you should still get value for money. If you buy the cheaper brand, but new, then you expect top performance and quality. The same can be said of expectations when it comes to new build or remanufactured laser toner cartridges. ■