

**Crossroads ahead:
Which direction are you taking?
Frankfurt January 2014**

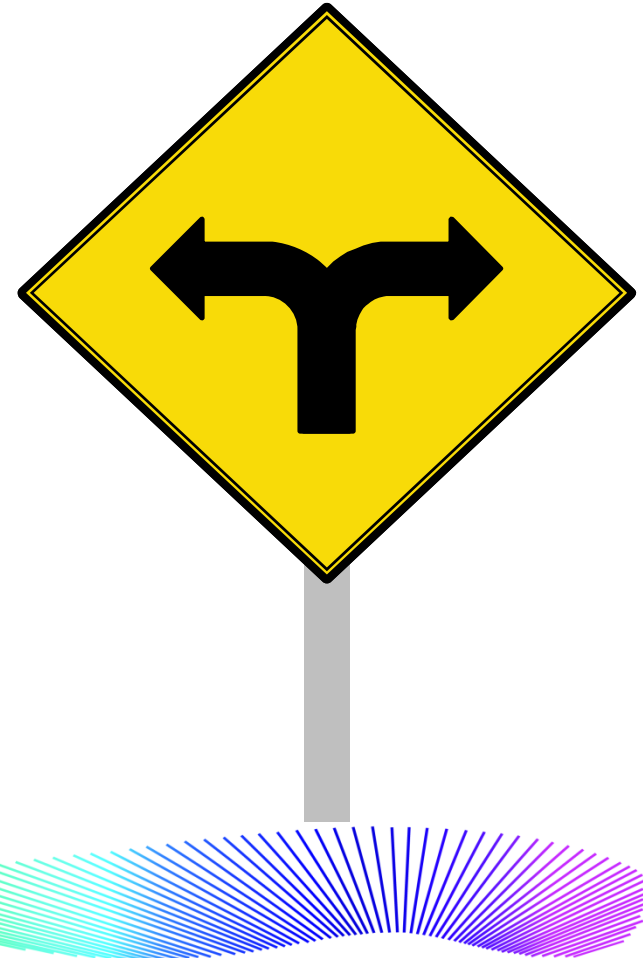
Volker Kappius, COO DELACAMP AG

Agenda



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- A quick look at the current state of the industry
- What are the alternative directions?
- Where should you be heading?
- Summary



Where are we at?

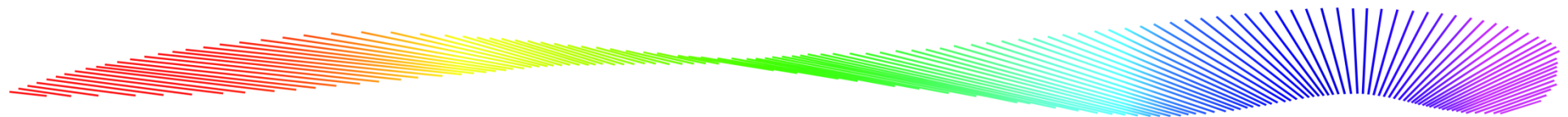


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- The imaging industry market has matured. More genuine players and newly built compatible/clone manufactures have entered the market as entry barriers are relatively low if IP and high quality is not taken into account - which most newly build compatible clone manufactures do not.
- The financial crisis has triggered economic crises in most relevant markets around the globe.
- Advances in mobile and cloud technologies have led to more paperless exchange of information.
- The gradual evolution in MPS is leading to more efficient output management – which simply means less printed paper.



➤ The demand is not outgrowing the growth on the supply side any longer! This is true for the AM as well as for the OEM.

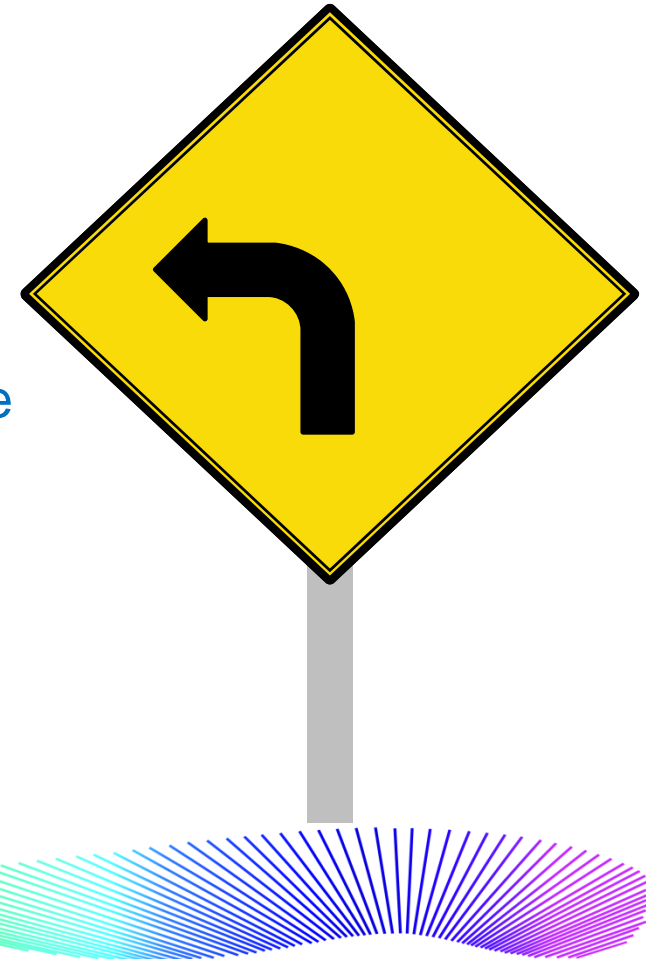


Turn to Clones for trouble



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- **Newly built compatibles/clones seem like an easy way to make money.**
 - No waiting time for empties availability.
 - Low cost.
 - No own R&D and manufacturing skills necessary.
 - Marketing and sales is basically down to price only.
- **But the reality is a different one.**

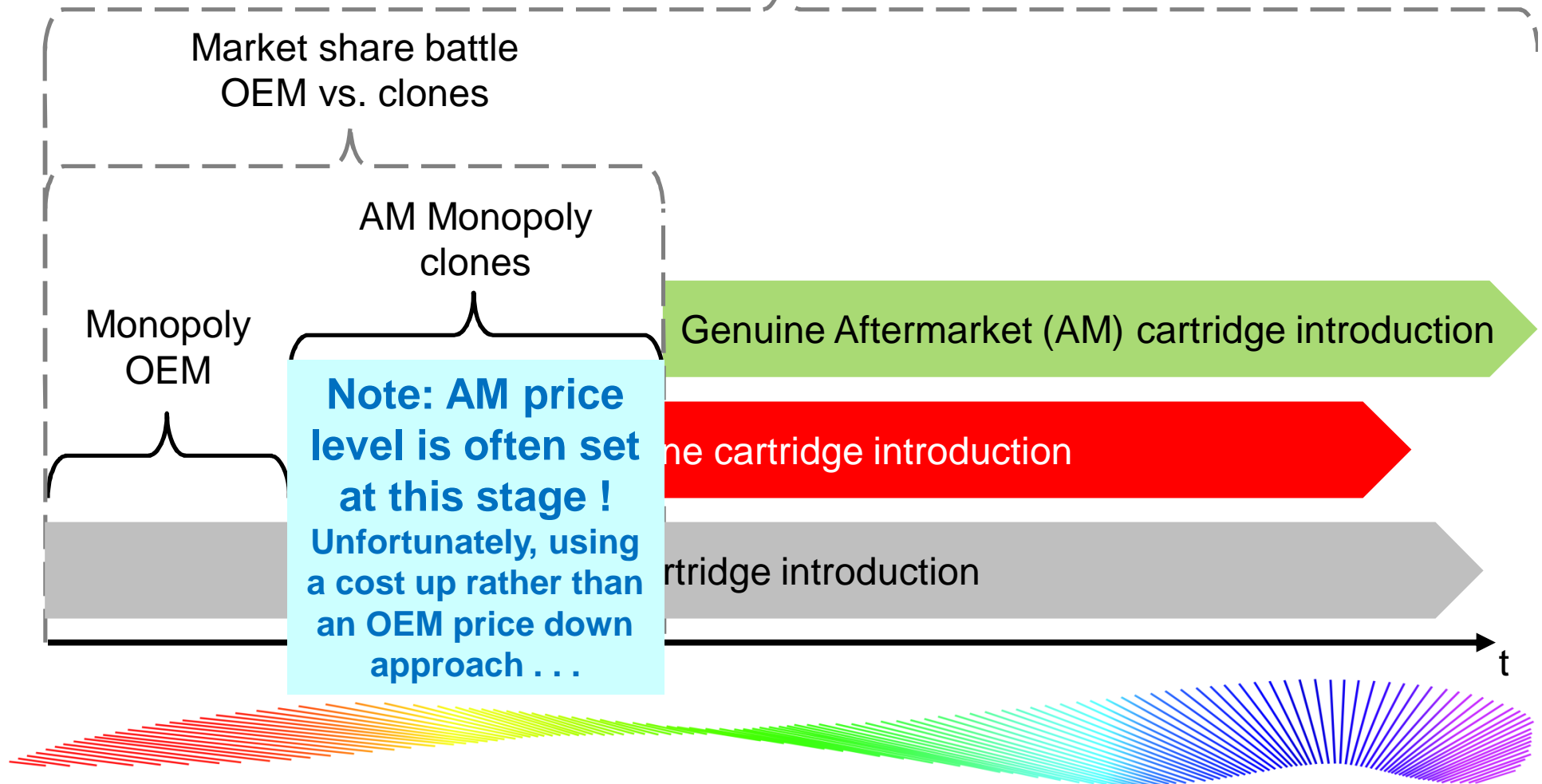


Due to empties as well as quality toner and components availability the genuine AM has a timing disadvantage



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Market share battle
OEM vs. clones vs. genuine AM



Turn to clones for trouble



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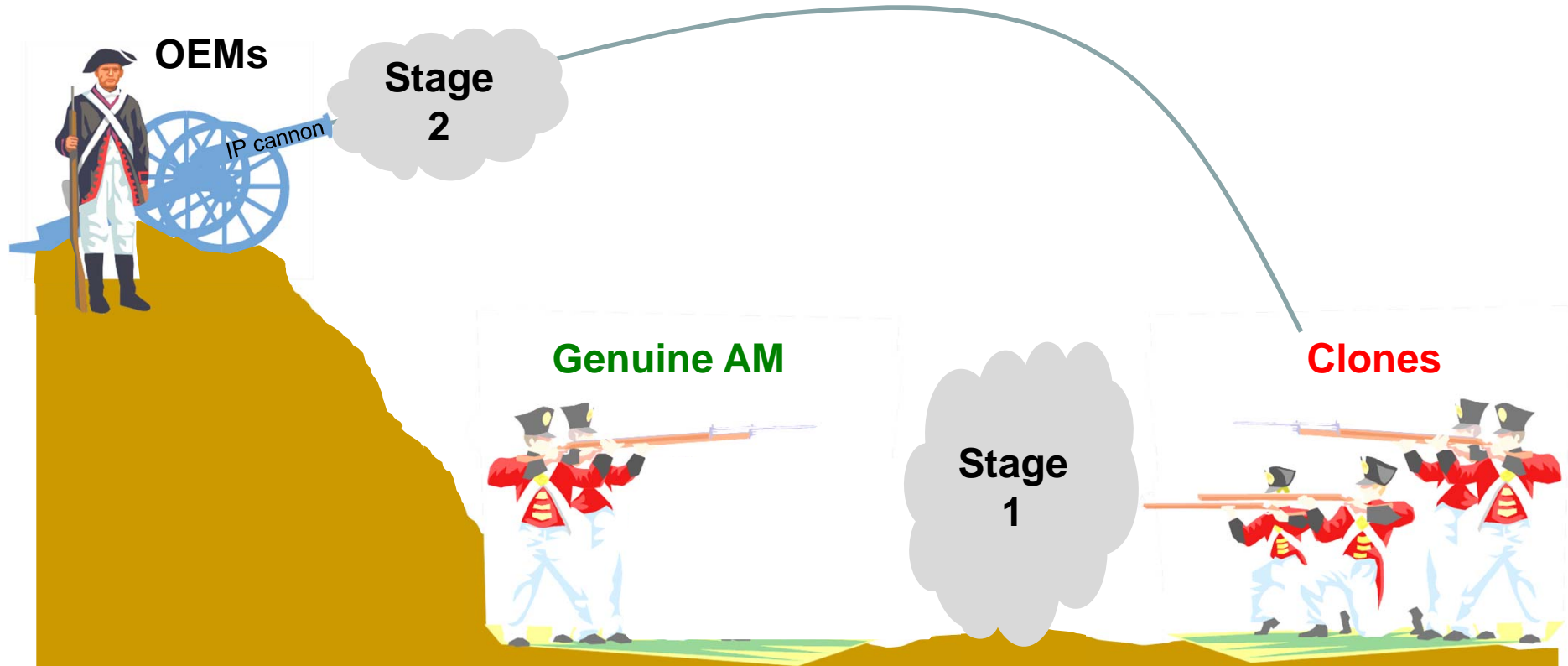
- **Newly built compatibles/clones are the main target for the OEM in quality comparisons and legal battles over IP. This negatively influences the reputation for genuine remanufactured cartridges as well.**
- **Competition between remanufactured and compatibles on price only.**
 - Due to quality deficiencies of clones the sales approach is being focused on price only by the clone manufactures → And the genuine AM let this happen!
- **Low prices only lead to even lower prices**
 - This price spiral will lead to being unprofitable.
 - Constantly having to lower prices is generating a lot of pressure on the manufacturers to save cost and to consequently lower quality.
 - Newly built compatible/clones are usually made in countries that have a temporarily “competitive” advantage such as favorable exchange rates, subsidies, lower labour cost, etc.
- **There are no green credentials for newly built compatibles/clones.**
 - Newly built compatibles/clones use a lot of resources and cannot be remanufactured → they quickly end up as e-waste with which the genuine AM has to deal with!
- **Eco labelling and regulatory compliance (e.g. Reach, CLP) are a big issue with clones.**



The fight Clones vs. genuine AM is in favour of the OEM



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In a macro market environment which is evolving towards less printing, the OEM needs every cartridge sale it can make.

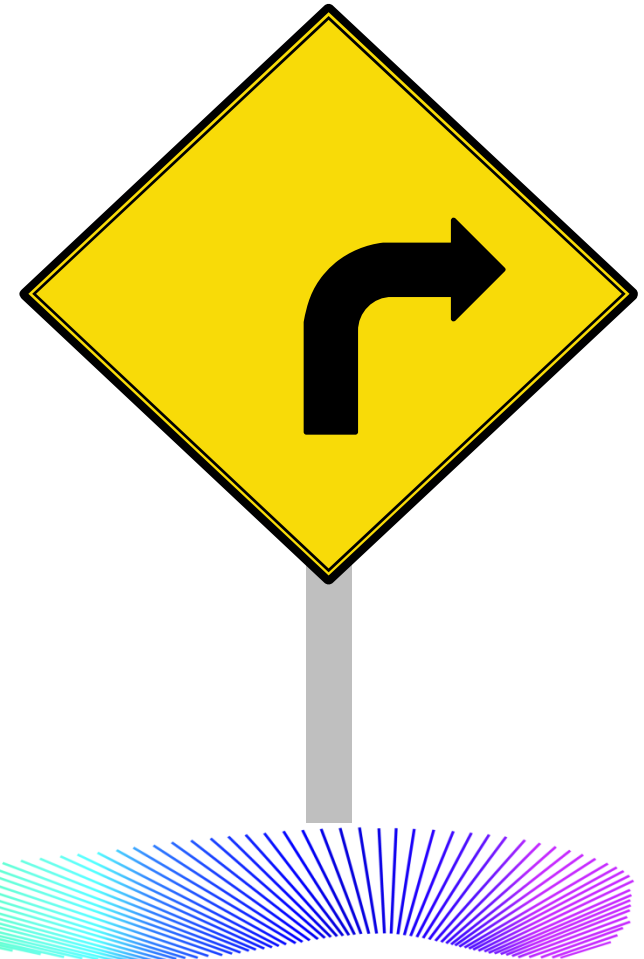
Since the clones are much easier to attack than the genuine AM the OEM can let the clones fight for them against the genuine AM and then go after the clones later.

Turn to genuine quality remanufacturing for survival



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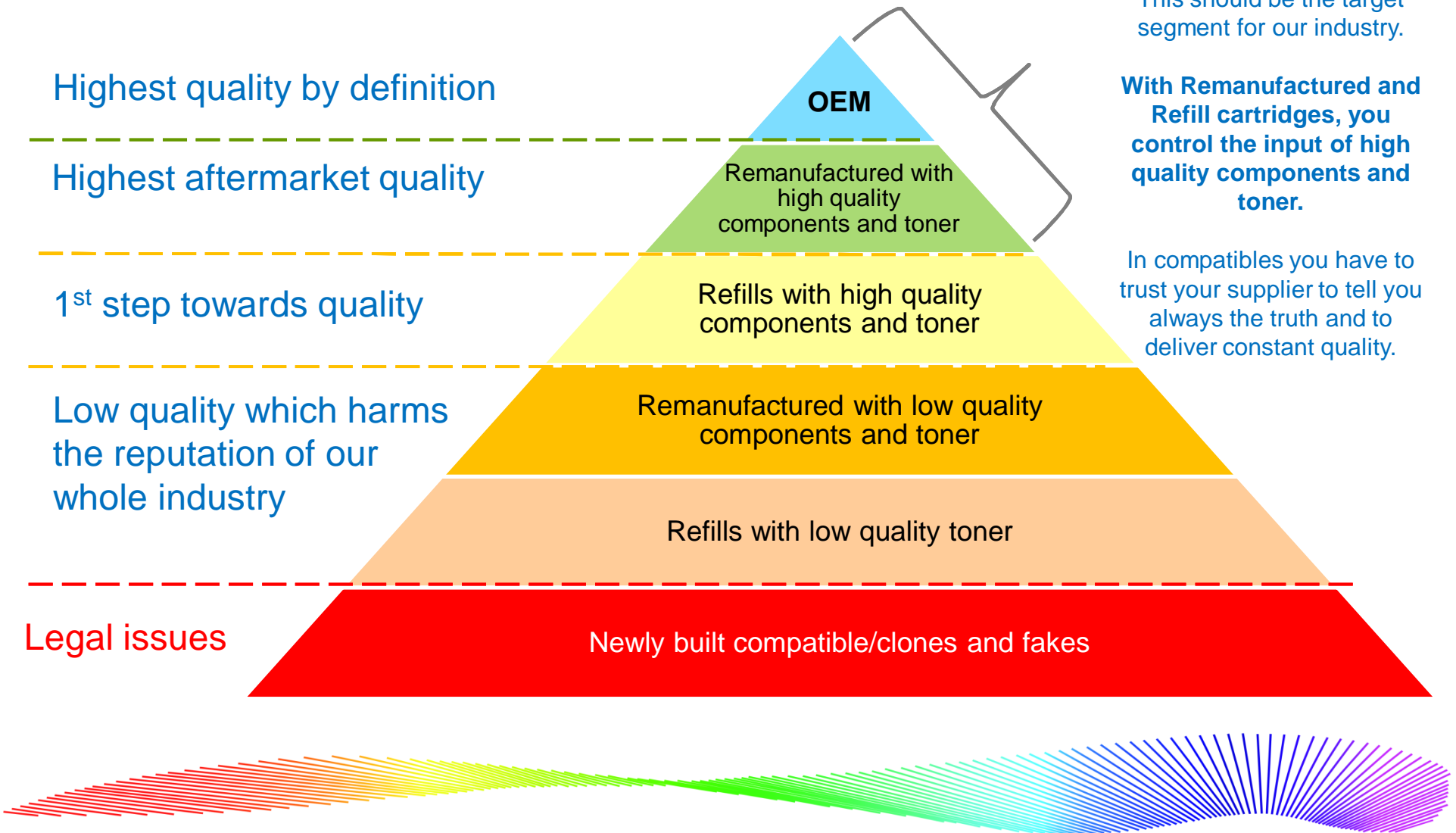
- **Price shoppers are only a small portion of the usual cartridge user.**
 - Most cartridge users buy the most expensive cartridge – the OEM - because they want reliable quality.
- **The more control you have over the supply chain, the better you can control the quality of your products.**
 - Quality products will lead to customer satisfaction and to repeated sales.



High quality components and toner deliver consistent quality



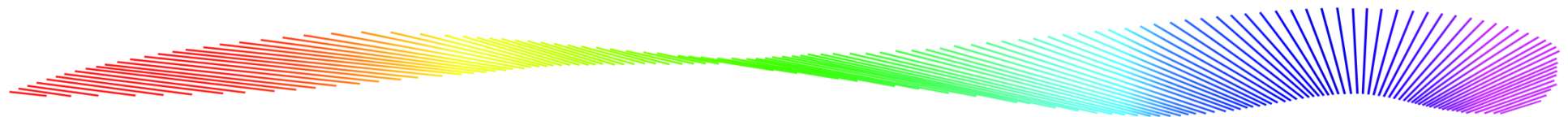
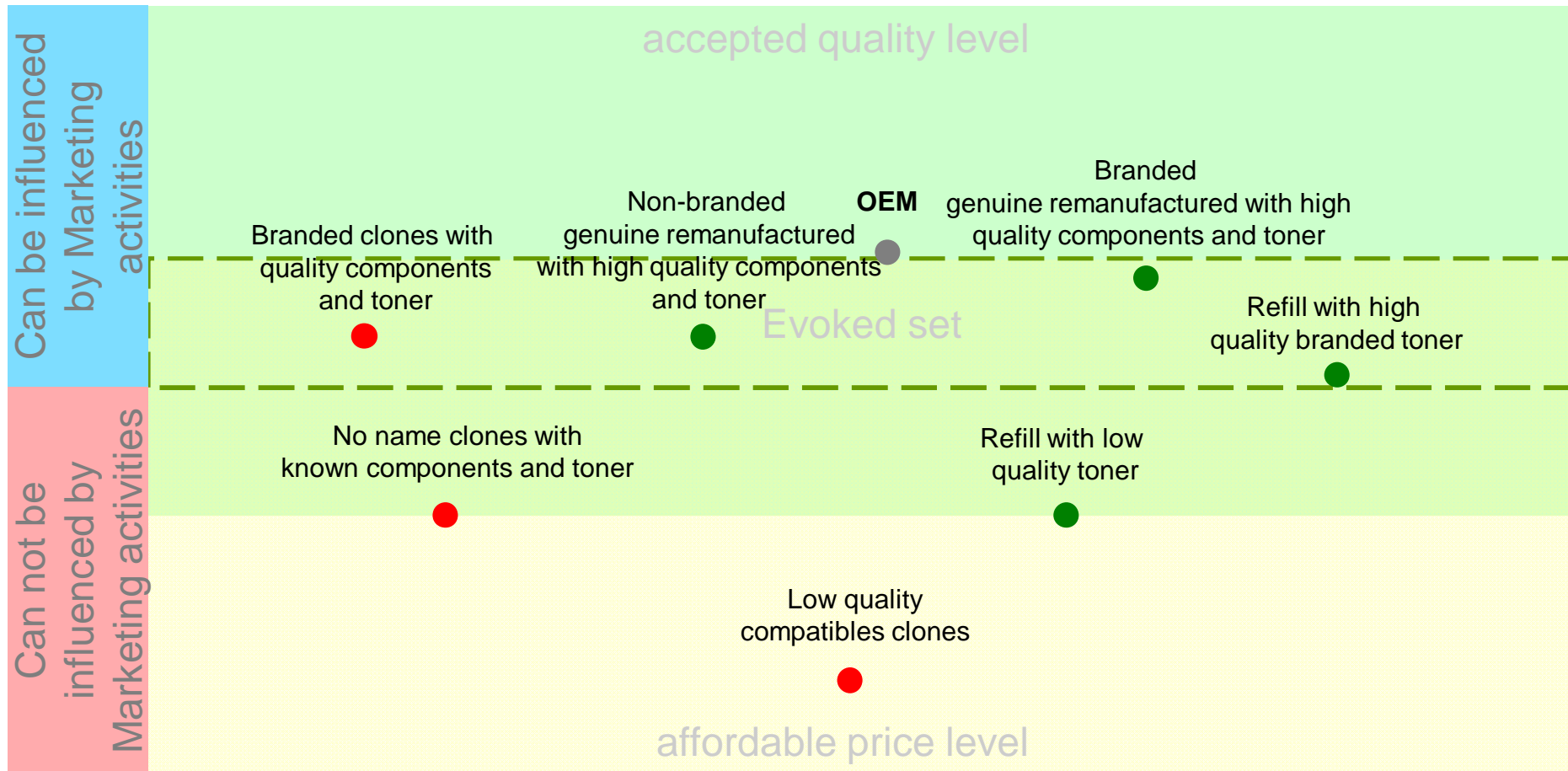
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Branded and high quality products have the highest chance to get purchased



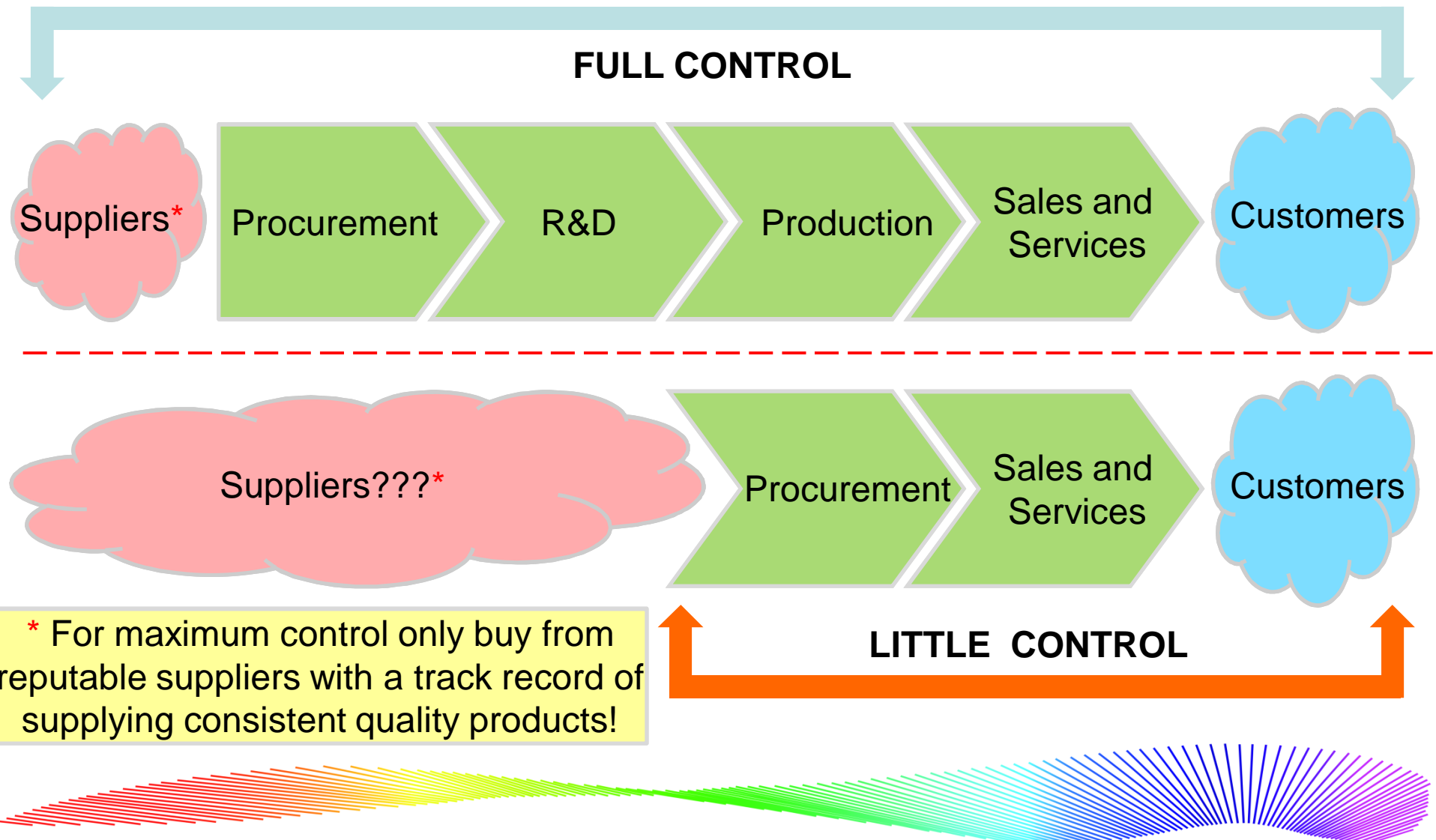
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Intelligent control over the supply chain helps to deliver consistent quality



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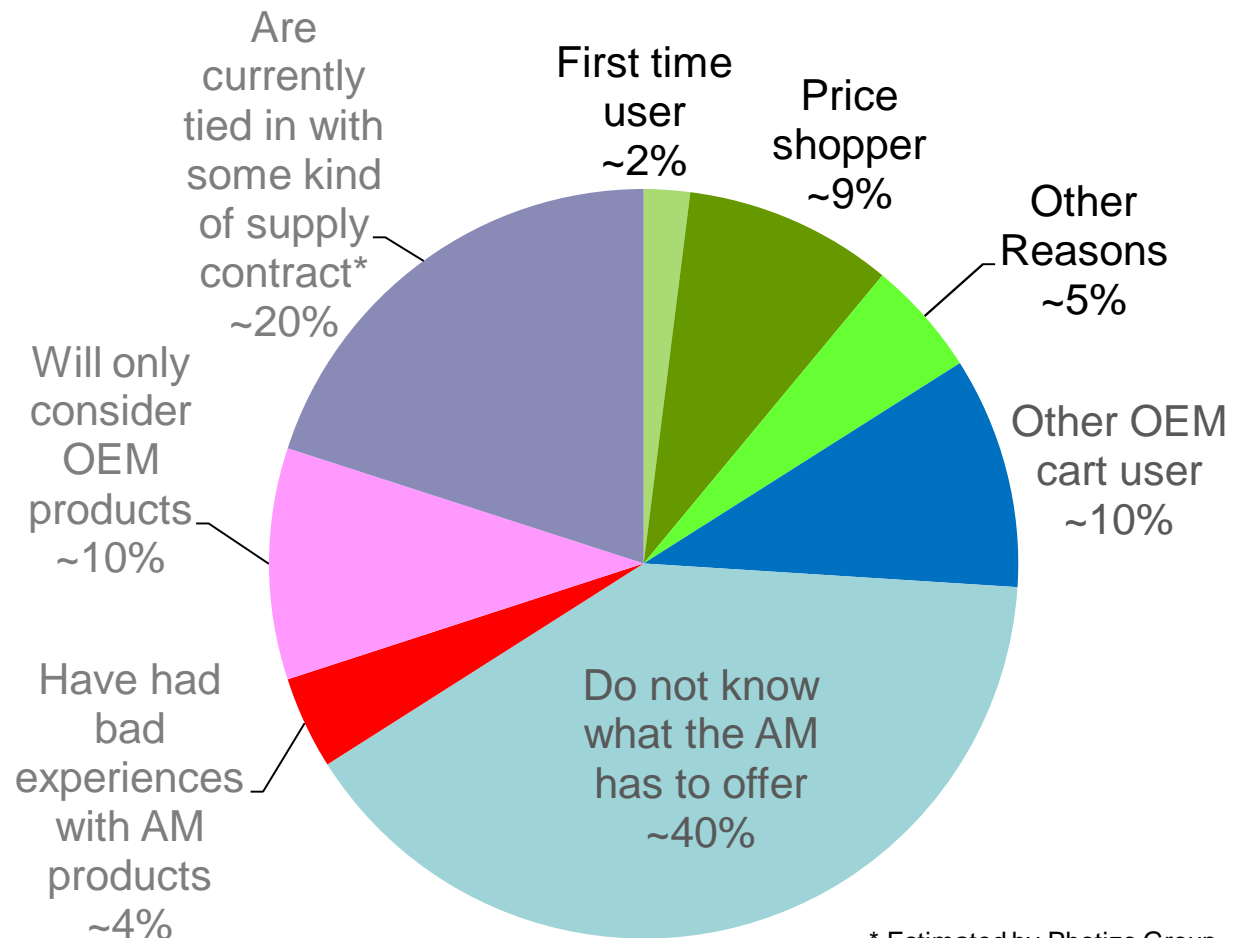
Let us have a look at mono laser cartridge customers ...



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OEM Split:

- A lot of OEM cart users do not know the AM or the quality level of the genuine AM.
- Benchmark markets show that the potential for the AM could be > 15% for colour and ~ 30% for monochrome.
- There will always be a big chunk of the market that the AM cannot serve → this is normal for an AM business model.




* Estimated by Photizo Group

Use tailored marketing activities



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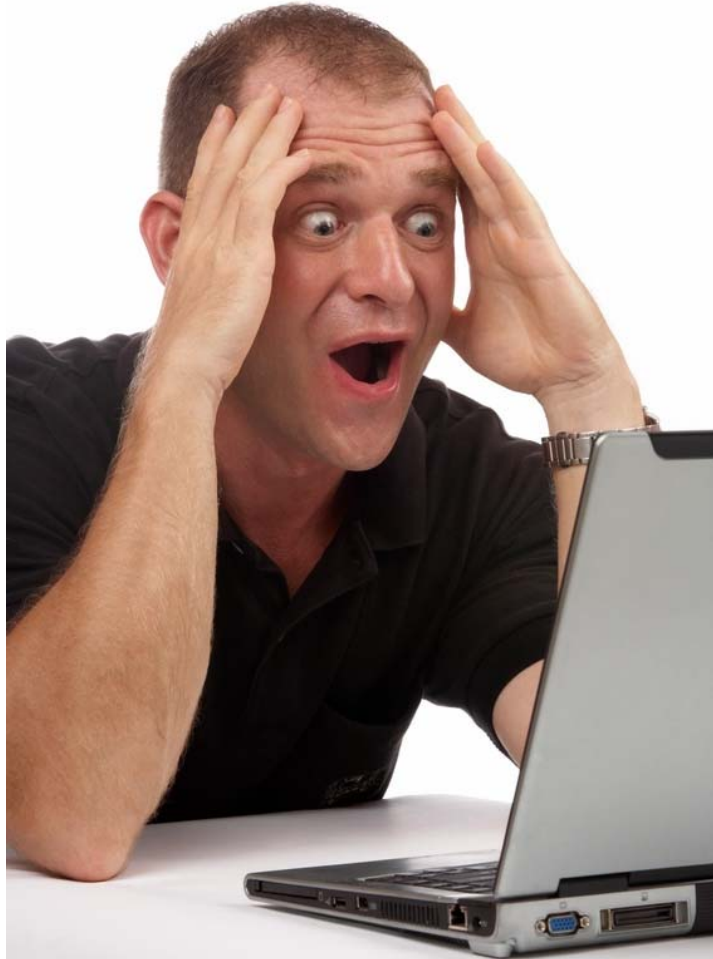
Cartridge user group	Suggested marketing activity
First time user	Use genuine AM awareness campaigns to keep first time user level high and offer good quality to retain former first time users as loyal AM customers.
 Price shopper	This is the main target group for newly built compatibles/clones. Use campaigns promoting high quality in order to convert to loyal AM customers.
Other reasons	Find out the different reasons and promote your superiority in satisfying these reasons (e.g. environmental concerns and green products).
Other OEM cart user	AM awareness and quality campaigns.
Do not know what the AM has to offer	AM awareness and quality campaigns.
Have had bad experiences with AM products	Quality campaign.
Will only consider OEM products	Find out why and show and proof that you can do as good.
Are currently tied in with some kind of supply contract	Offer a Managed Print Service and/or supply contract as well.

Summary

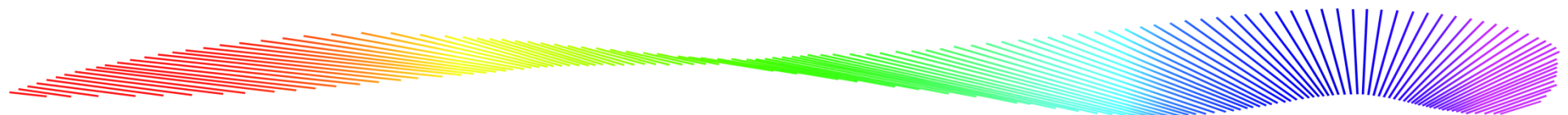


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- Do not support newly built compatibles/clones as they are the path to doom for our industry → make/use genuine reman cartridge.
- The more control you have over the supply chain, the better you can control the quality of your products → make your own cartridge and buy products only from reputable suppliers.
- Quality products will lead to customer satisfaction and to repeated sales → build quality products.
- Use awareness and quality campaigns in order to grow your market share.



Any Questions?





Setting The Tone For The Imaging Supplies Industry



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Thank you

