Aftermarket Imaging Supplies
Selling Value <u>not</u> Price

MSE Choose Quality

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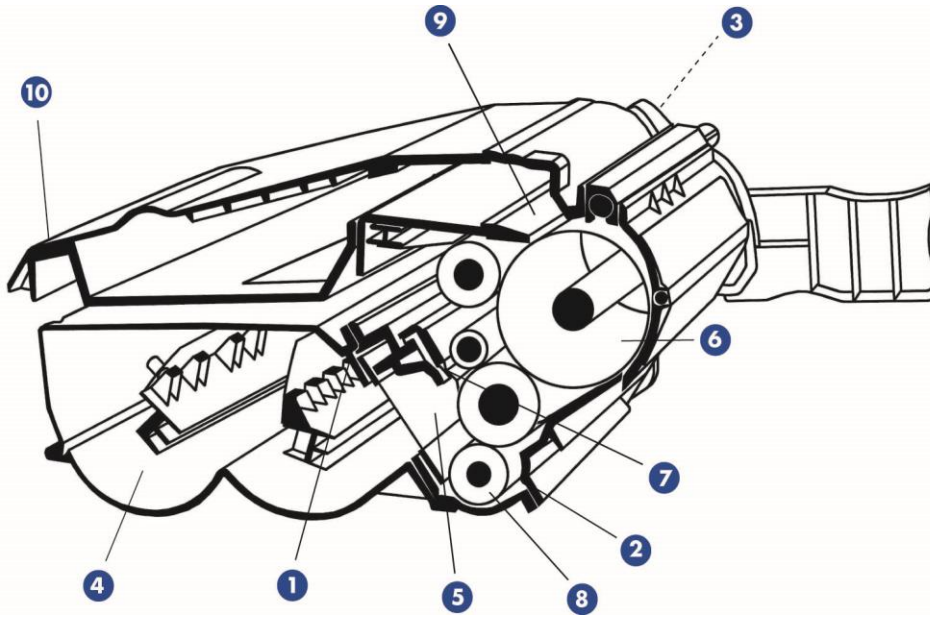
Remanufacturing – Our Industry

- My title says “Aftermarket”, MSE is member of the toner cartridge *Remanufacturing* community & I will be speaking about VALUE in relation to *Remanufactured* Toner Cartridges
- What is Remanufacturing?
  - Dictionary Definition: to refurbish (a used product) by renovating and reassembling its components
  - New built clones are not remanufactured



Our Industry's Value Proposition

- When our industry was born in late 80s/early 90s, there were 4 pillars to our Value Proposition:
  1. We would deliver lower cost products to the end user
  2. We would deliver a quality product – as good as the OEM
  3. We would deliver an environmental benefit
  4. **We would provide a bigger ***CASH*** margin opportunity to our reseller network, compared with what is available from OEM**

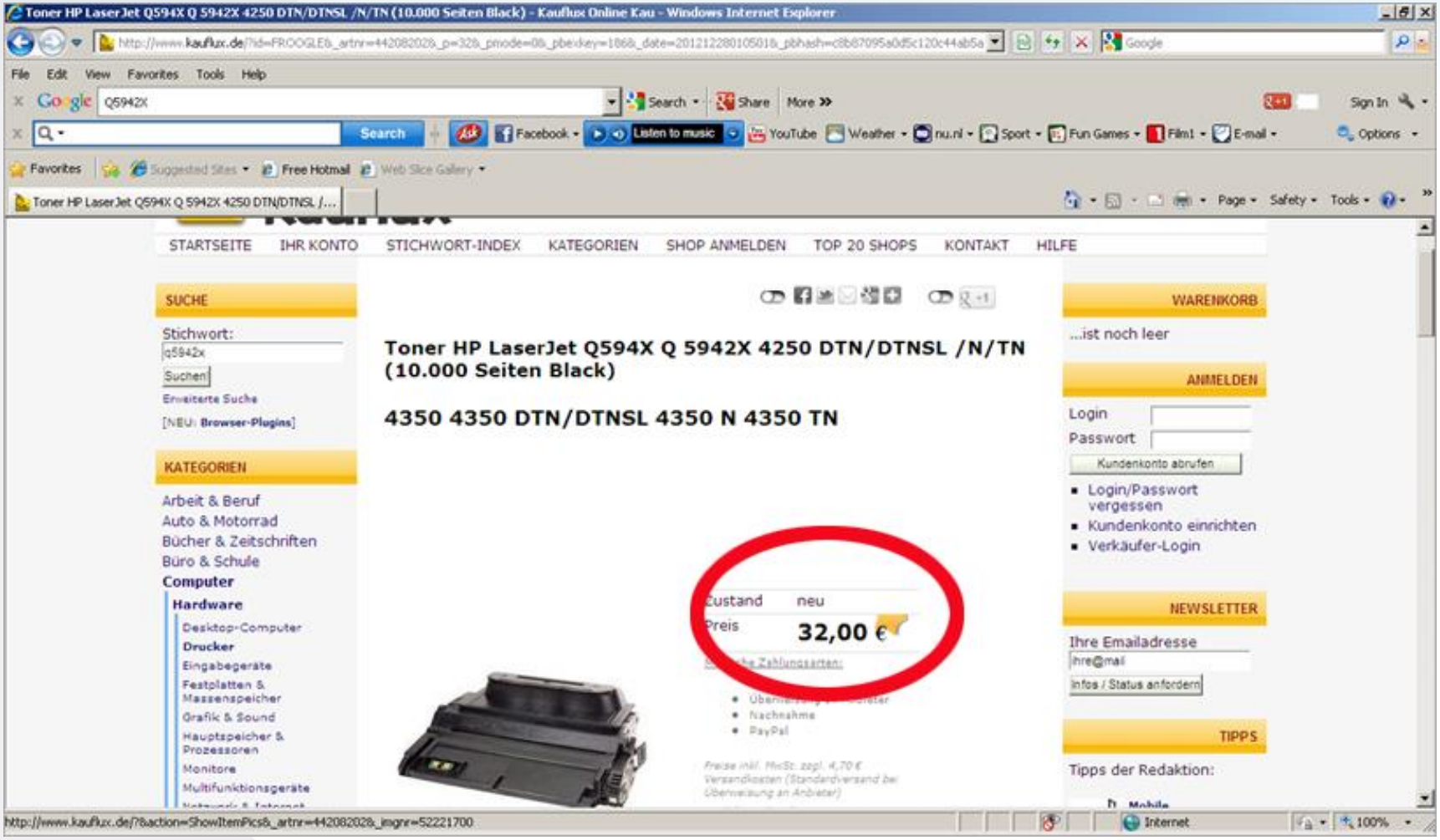
  This would create desire and drive demand from our Channel Partners
- 25 years on, how are we doing with these 4 pillars?

Reseller Cash Margins

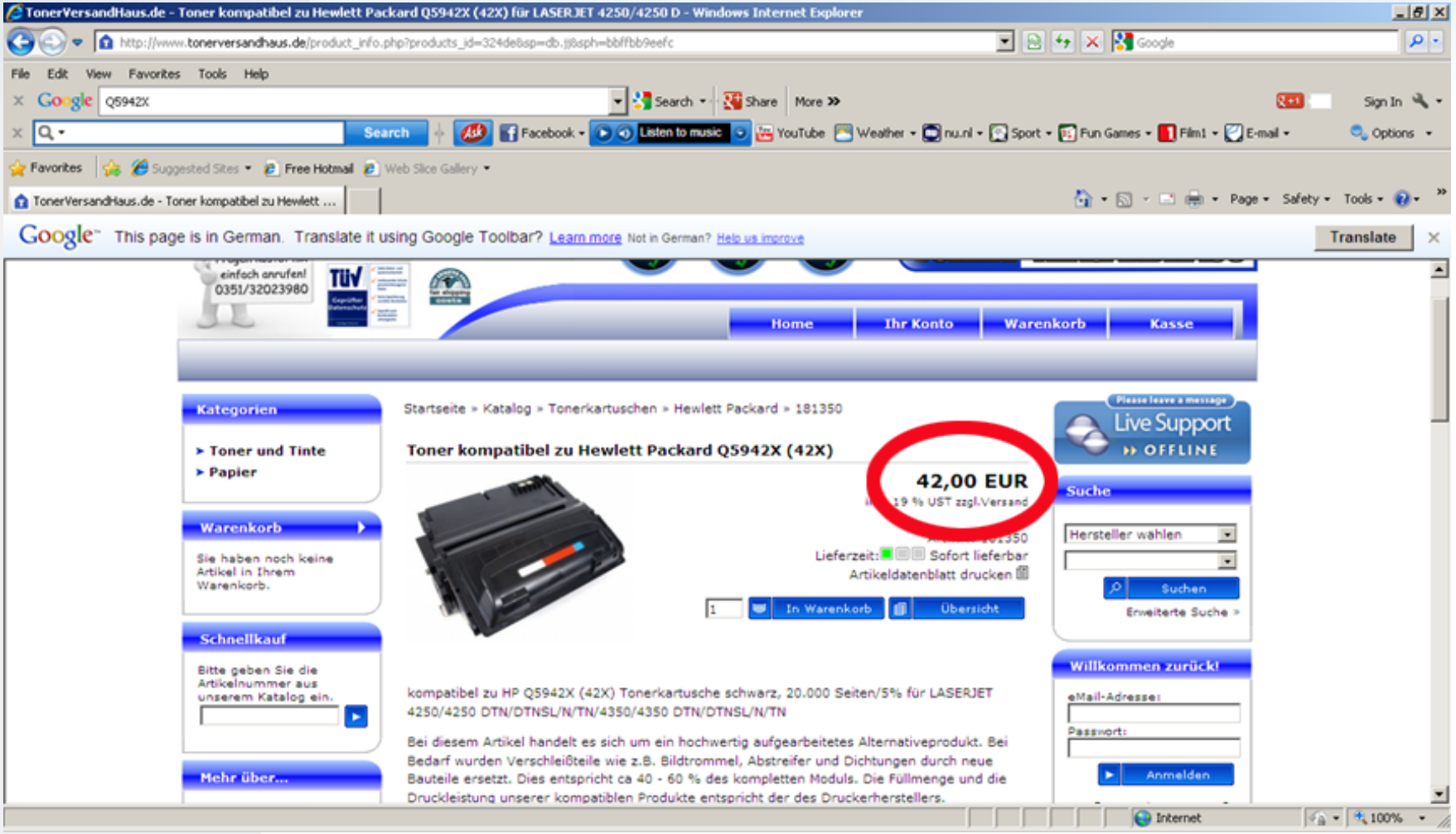
- It seems to me, we have created a situation in many markets, where our Reseller Partners make more CASH margin selling the OEM cartridge than selling a remanufactured cartridge !

- How can we expect to create desire in the channel for our products with this situation ?
- What are we going to do about it?

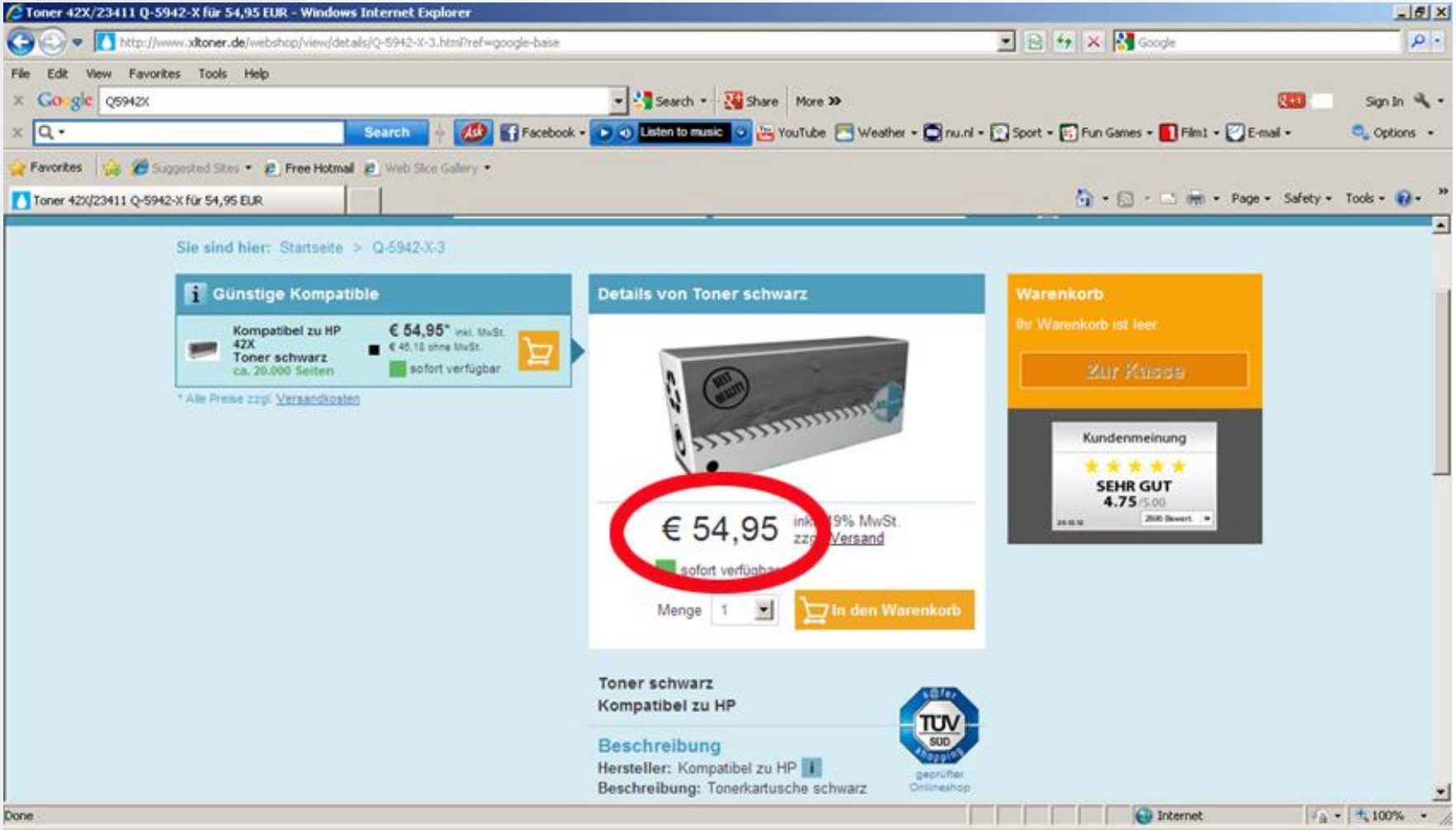
Example ALT Q5942X @ €32.00



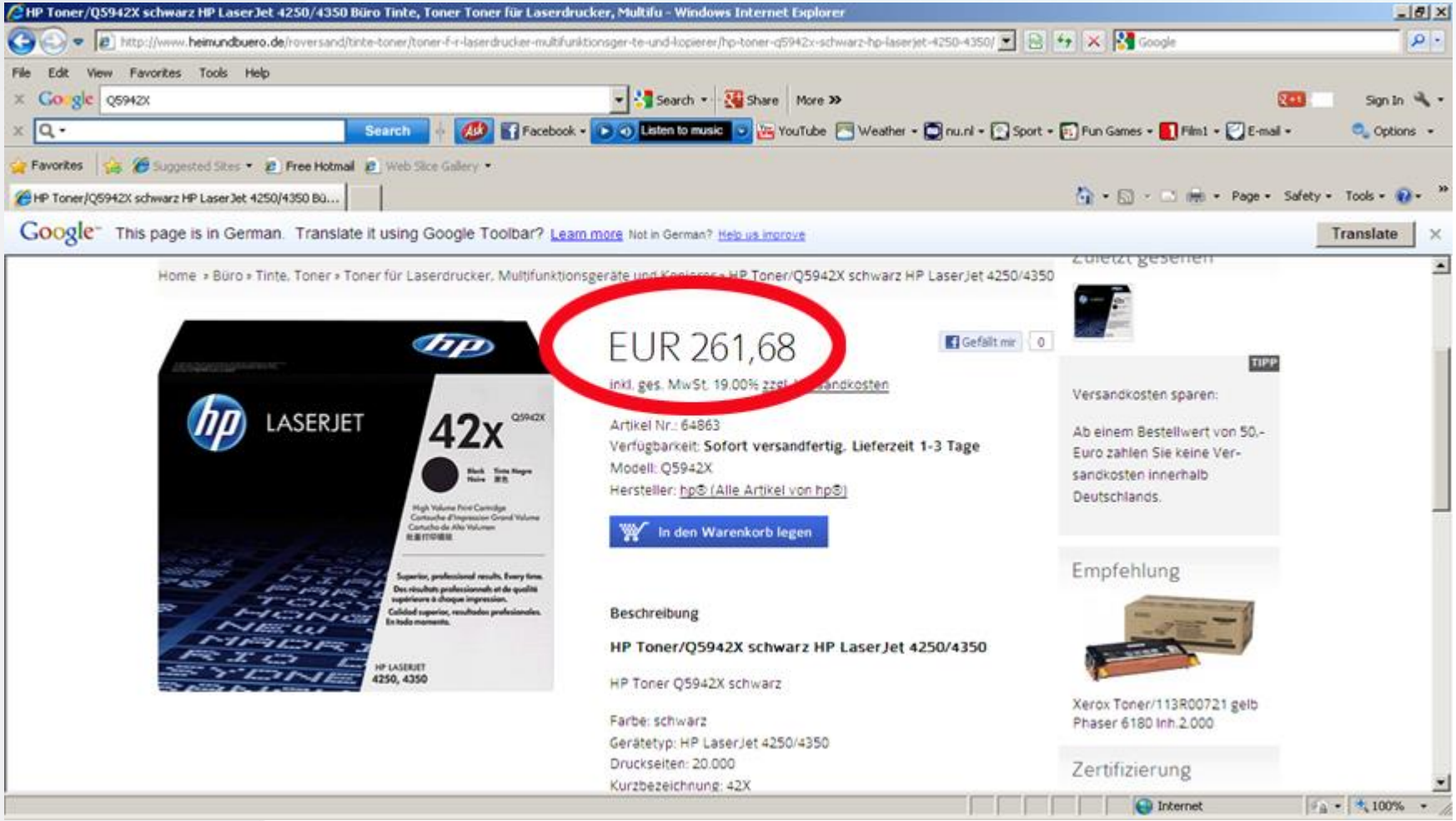
Example ALT Q5942X @ €42.00



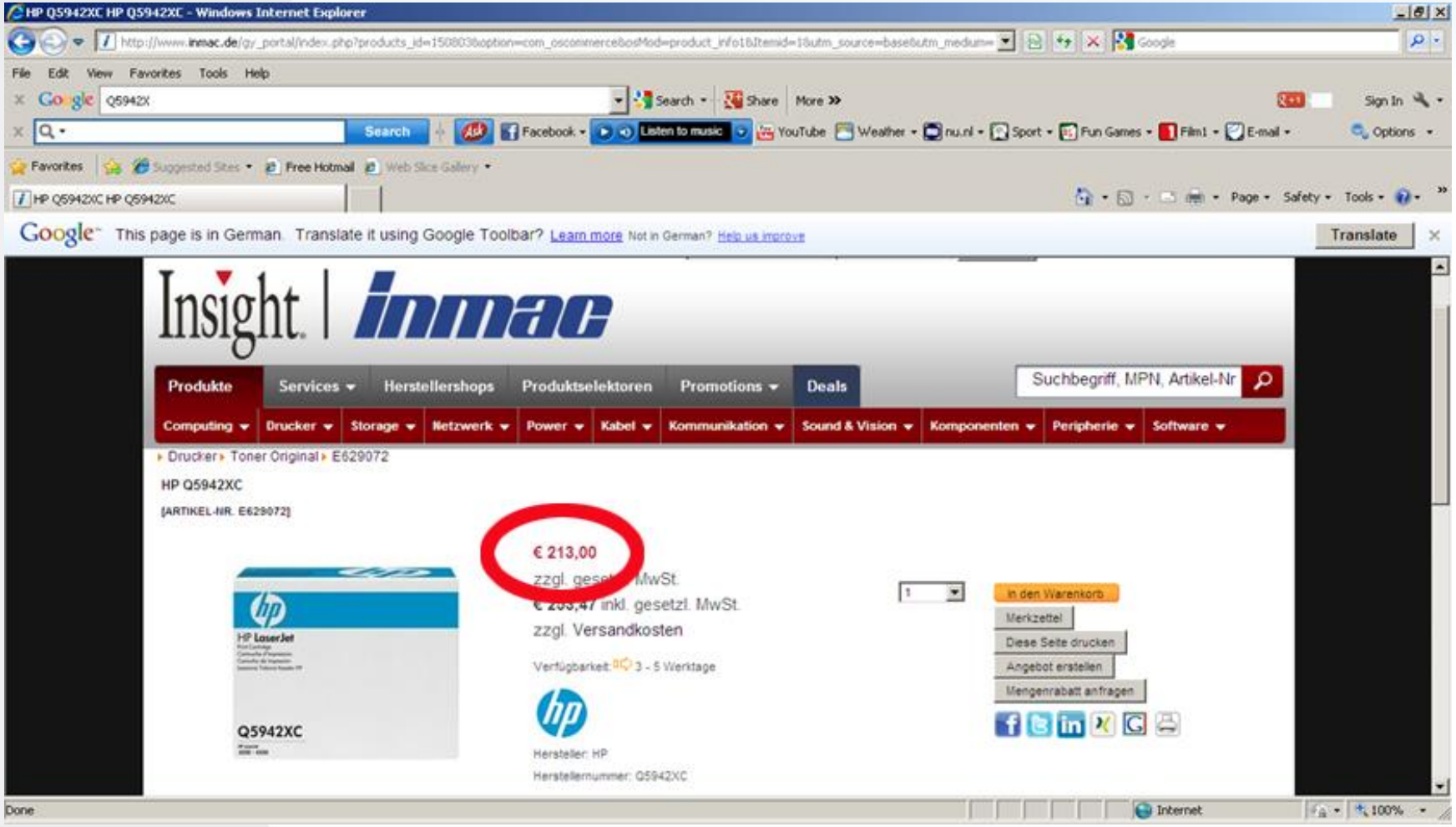
Example ALT Q5942X @ €54.95



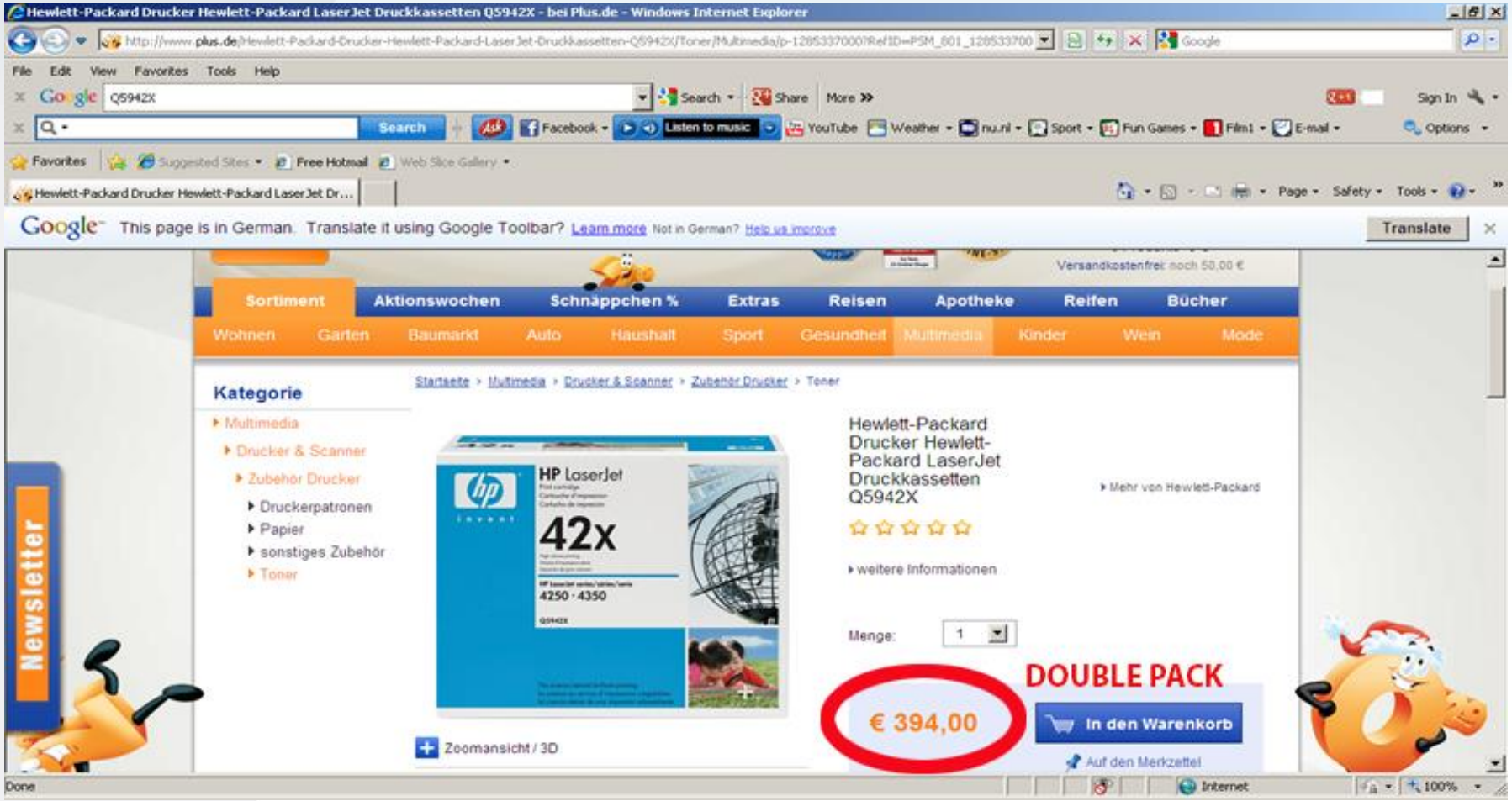
Example OEM Q5942X @ €261.68



Example OEM Q5942X @ €213.00



Example OEM Q5942X @ €197.00



Examples Summary: Q5942X

NON ORIGINAL			ORIGINAL		
Price inc VAT	**Price exc VAT**	**Description**	**Price inc VAT**	**Price exc VAT**	**Description**
€32.00	€26.89	Unidentified	€261.68	€219.89	Original
€33.95	€28.53	Rebuilt	€221.00	€185.71	Original
€37.99	€31.92	Alternative	€213.00	€178.99	Original CRT
€42.00	€35.29	Compatible	€202.61	€170.26	Original
€54.95	**€46.17**	**Compatible**	**€197.00**	**€165.54**	**Original**

Analysis: Q5942X

- What is a realistic trade price for the OEM?
  - I suggest €150
  - Taking the LOWEST OEM user price of €165 we see a MINIMUM cash margin of €15 cash for the Channel Partner
- What is a realistic trade price for a good quality remanufactured cartridge?
  - I suggest €50, but let's assume that I am wrong by a factor of 20% and say €40
  - Taking the HIGHEST ALT user price of €46 we see a MAXIMUM cash margin of €6 cash for the Channel Partner
- Result: Channel Partners prefer to sell the OEM product – More cash, easier selling process, less problems
- Result: Value and Profit is driven out of industry, constraining our ability to invest and grow!
- Conclusion: CRAZY

Intelligent Positioning I

- The only way to correct this crazy situation is for the industry to position its products intelligently
  - That means a sensible discount for the user compared to the OEM – I suggest 25% delta
  - And MORE CASH MARGIN for the Channel Partner
- Example Q5942X:
  - Street price for quality remanufactured cartridge can be as high as €115
  - At my suggested selling price of €50 that delivers a CASH margin of €65 for the Channel Partner
  - €65 instead of €15 THAT CREATES DESIRE

Intelligent Positioning II

Can this be done?

- YES It Can! In medium to high end printer segments, OEM has 70% market share of the monochrome laser cartridge consumption
- In the middle of the worst economic recession in years, 7 out of 10 users, consciously choose to pay €165 for a Q5942X OEM cartridge, when they could source an “equivalent” for less than €50
- 70% of users would rather pay more than 3 times the price for a toner cartridge for the OEM .at a time when all organisations need to save money

And we complain that the market is price sensitive and that prices are compressing

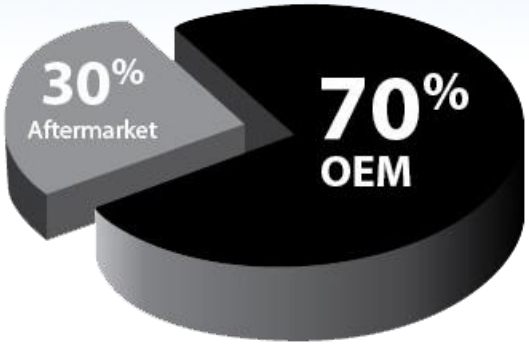
While we continue to drop our prices, the OEMs are increasing their prices! They do it every year and 2014 is no different

Intelligent Positioning III

- The keys to greater CASH Margins are:
  - Focus on OEM Conversion Sales Strategy
  - Highest Quality Product & Company Differentiation
  - A Capable, Highly Trained Sales Force that will focus on selling VALUE not Price

OEM Conversion

- The mono market is 70% OEM & 30% ALT
- The colour market is 92% OEM and 8% ALT
- Prices in ALT segments are low & compressing
- Prices in OEM segments are high & increasing



Monochrome Share

- Forecasted growth in Colour MFPs
- Dealers are 9 times more likely to find OEM users in medium to high end Color segments
- Dealer sales teams need to qualify OEM spend and product mixes at end user level
- MSE offers ALWAYS price advantage vs OEM
- Converting from the OEM will improve financial business performance for the Dealer
- For this model to work, you need TRUE OEM quality equivalence so please make the investment to source higher quality products to convert & maintain customer loyalty

Color Share

Product & Company Differentiation

- All genuinely professional remanufacturers have product and company differentiators
- At MSE these are based on the concept of Intelligent Re-engineering, patented processes, techniques and components, and years of investment in technology to produce products that are tangibly and demonstrably different and (we believe) better
- Yours may be similar or they may be based around Proximity to customers, Technical Support, MPS, Product Range, Green Credentials, Brand Strength or other
- Whatever your differentiators, enhance them, highlight them, announce them, strengthen them, market them
- If you don’t have any, you need to quickly establish some because without them commoditisation takes over, price becomes the only weapon left, and that is where the Race to the Bottom starts!

VALUE over Price

- We knew it 25 years ago, but it seems like we forgot about it somewhere along the way!
  - Deliver a meaningful saving for the user
    - Target OEM users
  - Deliver equal quality to the OEM
    - Demonstrate this quality, show it, make it tangible
  - Deliver improved CASH margins for the Dealer
    - Quantify the financial benefits selling MSE instead of OEM

INTELLIGENT RE-ENGINEERING®

At MSE our differentiators are based on the concept of Intelligent Re-engineering which includes patented processes & years of investment in R&D, technology and innovation to produce products that are demonstrably different and (we believe) better

The True Alternative to the OEM

Intelligent Re-Engineering

Innovation, automation and advanced testing protocols increase quality and efficiencies.

Patented Technology

Creating a new benchmark in quality with 38 patented and patent-pending technologies.

Advanced Color Technologies

The culmination of years of color research and development with the goal of providing the industry's 1st true alternative to high priced OEM color cartridges.

Quality Commitment

State-of-the-art equipment to perform several tests to "real world" printing Protocols to ensure a quality product.

ISO Certification

MSE facilitation for continuous overall Company improvement includes documentation and corrective actions.

Green Initiatives

MSE minimizes our carbon footprint by Establishing environmental policy via ISO 14001 to determine environmental impact for continuous green initiative improvements.

About MSE

Celebrating 20 years of quality

Voted highest quality every year by Recharger Magazine

- 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2013

900+ employees (Over 50 QC and R&D Staff)

$150M Global Annual Sales Revenues (Over 40% in Colour)

* 400,0000 CPM
* 21,000m² global manufacturing space

Product Reliability-

Mono= 99.20% Colour= 98.60%

A technology company

41 patented or patent-pending technologies

ISO 9001, ISO 14001, ISO 19798, Nordic Swan

Channel Integrity - 100% WHOLESALE

About Amaya Martinez-Lalanne

- B.A Hons, Languages for Business, Oxford, 1996

- 10 years experience in the Hard Copy Supplies Industry, covering Business Development, including cartridge components and finished products

- Business Development Manager
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