

5 QUESTIONS

What Makes the Russian Market so Different?

What are the latest developments in Russia's print consumables industry?

In 2013, 11.3 million original cartridges were sold in Russia, up 7.6% year over year (YoY) compared with 2012. Also, 30.4 million cartridges were remanufactured or refilled, with 6.7% growth over 2012. However, sales of new-built compatibles saw a 4.7% YoY decline, reporting 8.1 million units sold. It's expected that compatible cartridges will continue to fall, because Russian customers don't feel like buying cheap and low quality cartridges. Another reason attributed to the decline is that the outsourcing market, which aims to provide high quality printing, is growing.

How is Russia's patent registration different from other countries'? And what does it mean to the print consumables industry?

The most important OEM patents have not been registered in Russia. As a result, new-built compatible cartridges are actually legal here. More than 20% of the cartridges sold in Russia are compatibles. And these new-built cartridges are mostly bought by state organizations in the framework of tenders which resellers won according to Russian law. In 2012, Russian state organizations bought about 2.5 million new-built compatible cartridges. Unfortunately, only 6% of them provided good print quality, 37% gave low and very low print quality.

Why do you believe the remanufacturing industry in Russia will get a big boost if registration of OEM patents increases in Russia?

If OEMs register their patents in Russia, the sales of compatibles will be impacted. Due to the fixed budget that was defined for buying and servicing of printing devices, people may prefer remanufactured/refilled cartridges that they used.. It's impossible to

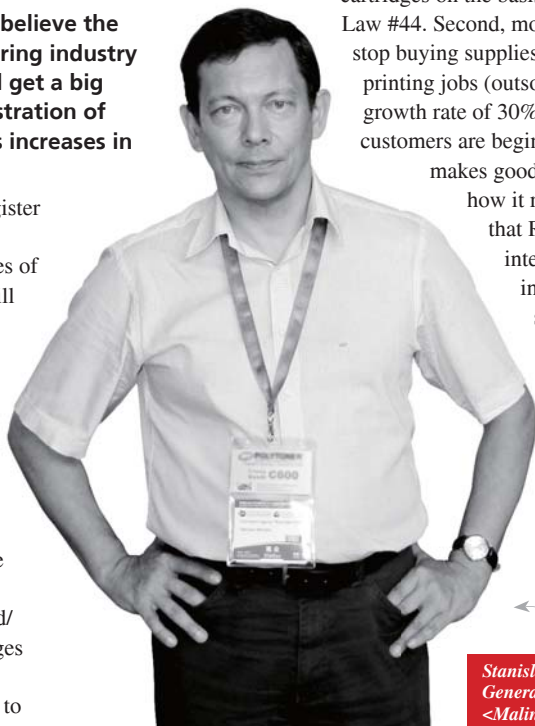
increase this sum in the event of OEM patent registration. So one part of Russian customers will have to buy OEM cartridges and another one will have to use remanufactured/refilled cartridges owing to the lack of money to buy OEM cartridges.

What's the government's role in the development of the print consumables industry in Russia?

The government is one of the main regulators of the Russian market. In 2010, Russian state organizations bought 30% of all cartridges shipped to the market. In 2013, it was 36.7%. And in 2014 it will be about 38%. Only government officials can legally decide the purchasing tenders which permit companies to provide state organizations with new-built cartridges. In recent years, the government organizations are increasing the purchase of supplies. To avoid buying low quality compatibles cartridges, the Russian government relies on outsourcing. In this case, company outsourcers must provide state organizations with new-built compatibles of Premium quality, although they are more expensive.

What are your predictions for the Russian market in the coming 2-3 years?

Over the next 2-3 years the Russian market will develop in four directions. First, state organizations will decrease purchases of cheap cartridges on the basis of new Russian Federal Law #44. Second, most Russian companies will stop buying supplies as they will outsource printing jobs (outsourcing has shown a growth rate of 30% per year). Third, Russian customers are beginning to understand what makes good quality printing and how it relates to price. It's clear that Russian customers are interested in professional information about printing supplies (by attending EXPOs and consulting catalogs, magazines and marketing research reports). Fourth, the market for color printing will expand and support the first, second and third trends.



Stanislav Malinskiy,
General Director of Business Inform
<Malinskiy_Stas@mail.ru>

PEOPLE

on the move, obituaries,
special achievements



Recycler Show Man Passes

Ken Connett—the older brother of *The Recycler's* David Connett, and responsible for organizing the well supported REMAX trade shows in France, Spain and Germany—has died at age 66 following a short illness. Connett helped launch China's RemaxAsia Show, correctly predicting it would become the global industry's largest show.



HP Leader to Lead Kodak

Jeff Clarke—who worked as Executive Vice President at HP between 2002 and 2003—is Eastman Kodak's new CEO and a member of its Board of Directors. He replaces Antonio M. Perez, who will become a Special Advisor to the Board. Clarke has filled various leadership positions at ACC, CA Inc and HP, where he was responsible for HP's worldwide supply chain, manufacturing and internet operations (HP.com).



Research Expert to Grasp More Revenues

Don Dixon has been appointed as Senior Vice President for Global Document Outsourcing at Xerox. He will focus on replacing hard copy revenues with services revenues. He served as Research Director & Print Research Community Chair at Garther for more than 10 years and worked as a Director at HP for more than 4 years.



Pigment Guru Eyes Global Market

Keith Malone has been appointed International Sales Manager at Diamond Dispersions where he will focus on continuing the company's growth in the global textile printing market. He has extensive experience in developing pigment colorants and worked with markets in Europe, Africa, the Middle East, China and North America.



Experience Paves Way to Promotion

Kieran Ho—who has over 10 years' experience in the aftermarket printer consumables industry—has been promoted as Deputy General Manager at Union Technology International Company Limited (UTec). He will be responsible for leading UTec's global sales and marketing functions while overseeing the company's operations.