

## THE POTENTIAL OF THE EASTERN EUROPEAN AND RUSSIAN MARKET AS SEEN BY AN “INSIDE-OUTSIDER”

*By Volker Kappius, COO Delacamp*

The current state of the aftermarket industry as a whole is tough and is primarily driven by price. The current price war has its root cause in the successful move made by Canon/HP against IP infringing newly build compatibles in the USA. Canon, presumably acting in concert with HP, has successfully stopped most imports from the major East Asian players by utilizing their US patents.

The US was the biggest market for the Chinese compatibles and the inability to sell compatibles into the US led to a lot of stock that could no longer be sold and a lot of idle capacity in South East Asia. The Chinese compatibles manufacturers urgently sought new markets for their cash cow products, but other markets, mainly Europe, Eastern Europe,

Russia and South America, were not able to absorb the quantities that used to flood into the US market. This led to severe price reductions because the manufacturers of compatibles tried to steal market share from each other in order to stay in business. The same started to happen among the Asian suppliers of parts for the newly build cartridges. In many cases these parts are primarily designed to be installed only in “compatibles” and are not fully compatible with OEM cartridges. Some Far Eastern and even Korean manufacturers offer their products at cost or sometimes even below cost in a desperate move to buy market share. In order to cut costs, product quality is being sacrificed both in the compatible cartridges and in the parts used for building them. As a consequence we see a lot of inferior quality products flooding the market at prices way below real market prices.

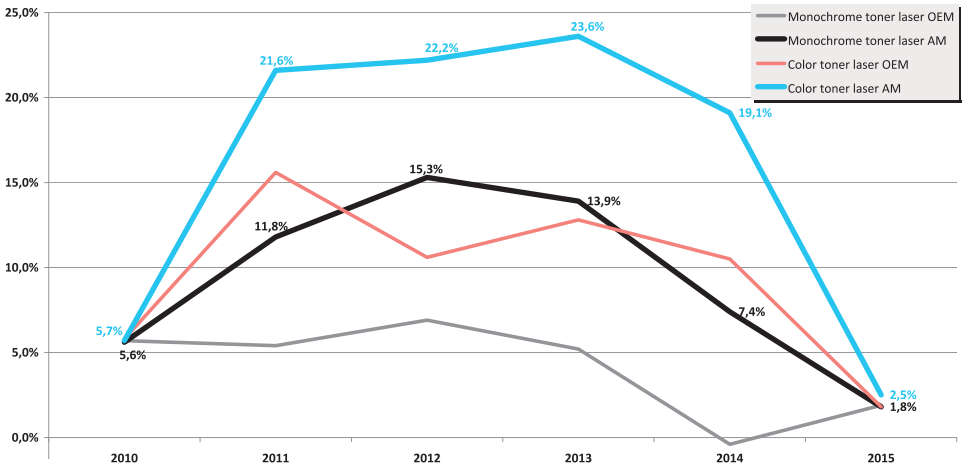
However, the Eastern European and Russian market is absorbing a lot of these components and the overcapacity newly build compatible cartridges, because growth rates, especially with private label Chinese compatibles, are still relatively high. The supply of empty newly build cartridges does seem to fuel the growth of the still omnipresent refill market in this area.

The chart below shows the growth rates of OEM and Aftermarket (AM) toner demand.

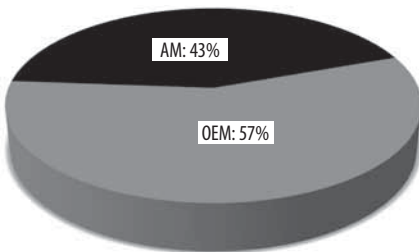
*(Source: Inter Watch Corporation)*



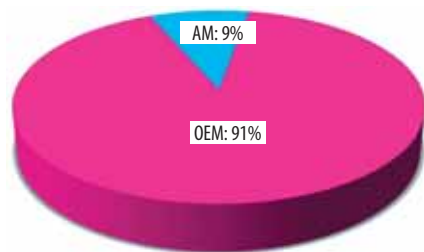
### Eastern European and Russian toner demand (Year/Year in %)



#### Eastern European and Russian monochrome toner OEM and AM Share 2012



#### Eastern European and Russian color toner OEM and AM Share 2012



We can clearly see that AM demand is outgrowing the demand for OEM toners. 2012 and 2013 will mark the peaks in the growth rates. The AM share graphic shows that on the monochrome toner side the AM has grown to a size almost equal to the OEM.

If the OEMs react as they did in other markets, then one could expect some sort of reaction soon.

For the color toner the picture is still a lot different as the Eastern European and Russian markets have not yet caught up in color printing to the same extent as in Western Europe. The After-market (AM) share is still low, and there is plenty of room to grow.

Color cartridge users have a higher quality expectation and seem to reject refill quality. Genuine remanufactured color cartridges using high quality components and chemical toner will help fuel the growth of the color market. Since quality color products and chemical toner are available from us and our distributors, growth is limited by the supply of empty OEM cartridges to be used

for remanufacturing. We see this market segment and the number of quality focused remanufacturers for color cartridges growing. Fortunately, the Chinese newly build color cartridges – especially for the more sophisticated engines - lack quality despite proclaimed usage of the high quality products. In most cases local cheap supplies are used because of the high price for quality products.

The Eastern European and Russian markets are very intelligent and interesting markets with a good growth potential. Also these markets understand that products from well-known brands like MK Imaging, DCSelect and CPT stand for quality. As with most markets there will be a split between cheap high volume/low margin products and more expensive quality products that can be offered to larger corporations, the public sector and other more quality oriented customer segments.

Research shows that remanufacturers and distributors with at least two of the following attributes still have a relatively good business despite the current market environment:

- superior quality,
- a more direct business relationship with the end customer,
- a green strategy,
- MPS offerings,
- target OEM business rather than other Aftermarket business,
- have a sales force, who can explain the differences in quality and prices, and of course
- a good cash position.

*Delacamp and our distributors in Eastern Europe and Russia are committed to supply quality products to the quality oriented customer segments to help fuel the growth of color and quality monochrome toner products.*

*DELACAMP, with its main office located in Hamburg, Germany, is a leading supplier of components and consumables to the remanufacturing industry as well as consumables, components and spare parts for copier machines worldwide. In order to provide superior service to its customers, Delacamp holds a large selection and inventory of matched quality components at competitive prices for immediate delivery. DELACAMP is the exclusive distributor of MK Imaging, DC SELECT, BioBlack, CPT and Kaleidochrome branded products in EMEA. DELACAMP: Serving customers since 1879.*

*For more Information on DELACAMP visit their web-site at: [www.delacamp.com](http://www.delacamp.com).*

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