

Frequently Asked Questions



Starting a Cartridge Remanufacturing Business

The Phenomenon of Cartridge Remanufacturing



The international business phenomenon of cartridge remanufacturing is associated with small businesses. In part, this is because recycling is best conducted at the local level. Collecting and remanufacturing empty imaging cartridges in the same locales in which they are used is time, energy and cost efficient. Whether carried out on the local or international level, cartridge remanufacturing makes economic and environmental sense.

Modest Beginnings

Most large cartridge remanufacturers started in garages and basements as very small operations. The biggest change in the industry in the last decade has been an increasing number of printer models, each requiring a unique cartridge. This is true for both toner and ink cartridges.



The average toner remanufacturing small business is equipped to restore for reuse between eight and 10 different cartridge models through cleaning, parts replacement, filling and testing. Smaller remanufacturers purchase from larger remanufacturers those cartridges models they cannot remanufacture in order to meet their customers' needs.

Expanding into Color



Toner cartridge remanufacturers also are beginning to produce color cartridges. Remanufacturers were delayed in entering this market while they waited for toner makers to master creation of these new, more complex color toners.

Ink cartridge refillers face—and master—similar challenges created by the complexities of new ink formulations and the different designs used in the cartridges of major brands such as Hewlett-Packard (HP), Canon and Epson.

Continuing Technological Challenges

Both toner and ink cartridge remanufacturers are confronting and mastering the replacement of microchips installed on cartridges by the original equipment manufacturers (OEMs) to make refilling and remanufacturing more difficult.



An international army of aftermarket suppliers of components support remanufacturers and enable them to respond to technological changes quickly and economically.

INTERNATIONAL Int'l ITC, Worldwide Trade Association



Imaging Technology Council

The International Imaging Technology Council (Int'l ITC), with headquarters in the United States and affiliated associations in Canada, South America, Europe, Japan, Asia and Australia, is the trade association supporting and representing this industry.

OEM Business Model

Almost all laser and ink printers are made in China, Korea, Vietnam and Japan by multi-billion dollar international corporations. They make little or no profit on the sales of the machines. Their profits, which are staggering, come from the sale of the cartridges used in the machines. This business model continues to result in lower and lower priced printers, and higher and higher priced cartridges. It has reached the point where, in some cases, one new cartridge costs more than the printer in which it is used.



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Frequently Asked Questions



In this pamphlet we provide answers to the most frequently asked questions by entrepreneurs who are considering joining the remanufactured cartridge industry.

Q: What does the remanufactured cartridge business involve?

A: There are four major aspects to operating a local cartridge business:

- **Obtaining the Empties.** Without empty, already used cartridges, there is no way to remanufacture a cartridge. Every local cartridge remanufacturer develops one or more sources of empties. They collect them directly from cartridge users, acquire them from corporations that bought them for internal use, get them from recycling companies and recover the cartridges they sell to their customers.

Empty cartridges can become a significant expense. The less a remanufacturer pays for reusable empties, the better. Remanufacturers also sell empties they do not reuse, which can become a potentially significant source of income.

- **Remanufacturing the Empties.** The empty cartridges must be cleaned, parts inspected for wear and damage, and questionable parts replaced. The cartridge must be filled with ink or toner and tested for print quality before packaging it for sale. There are far more parts to toner cartridges than ink cartridges. Most empty toner cartridges are retrieved in a condition suitable for remanufacturing. As many as 50 percent of the empties of certain ink cartridge models, however, cannot be saved. Some self-destruct when empty, and others are so fragile that they are damaged upon removal from printers or while being shipped to a refiller.

Remanufacturing of both toner and ink cartridges can be done with simple hand tools or with significant automation. The remanufacturing technology is available for many sizes of businesses.

- **Selling Remanufactured Products.** The majority of beginning cartridge remanufacturers sell directly to end users and their companies. Major customer groups include government, legal, financial, educational, insurance, transportation, medical, defense and manufacturing companies. Telephone and Internet sales also are used by many cartridge remanufacturers.

Color ink printers are found frequently in smaller businesses and in home use. Color laser printers are appearing more frequently in businesses of all sizes as the price of the printers continues to drop. However, all color cartridges are expensive for end users to purchase.

It is common practice for the owner of a new cartridge company to be its first sales representative, technical expert, technician supervisor, etc. The sooner additional employees can be hired to specialize in these job functions, the sooner the business will expand and take on a professional appearance.

- **Recovering Used Cartridges.** It is important for environmental and economic reasons that a company recovers and reuses as much of the content of the cartridges it sells as possible. This is a recycling business that thrives when cartridge components can be reused. Recovering the cartridges a company sells is known as “closed loop” recycling and is preferred by environmentalists, recyclers and government agencies.

It does not make financial sense for a business to incur the costs of replacement parts and then not recover them for reuse. Recovery within a company’s local area is inexpensive, too. Even un-reusable plastic and metal parts can be reused in non-virgin plastic and metal products. Reuse is required by law in many places.

Q: Is it too late to start?

A: While this question is best answered by completing an analysis of the particular geographic market in which the business would be located, the general answer is, “No, it is not too late.”

Remanufactured toner cartridges hold as much as 50 percent of the market in some areas for specific cartridge models. Remanufactured ink cartridges hold a much smaller market share of 15 percent. However, the share of a local market a company will need to meet its income target will vary from location to location and will be dependent upon income expectations. It also will depend upon how much time, effort and money will be devoted to sales. This is a sales-driven business. It takes more than hanging out a sign or mailing a few leaflets to attract a sufficient customer base.

Media-based advertising is expensive. So, most sales are made through person-to-person contacts and presentations. Larger corporate contracts and government contracts often require formal written proposals.

Surveys indicate in the U.S. that small cartridge companies allocate to sales between 10 percent and 15 percent of revenue. Larger remanufacturers allocate 30 percent or more.

A good market analysis and a straightforward business plan will provide the information necessary to decide if there is a sufficient market and if it is the time to start a new business. The Int'l ITC website provides information to help in preparing a market analysis and a business plan.

Q: What is the best business model to choose?

A: There are a number of emerging business models in the cartridge remanufacturing industry from which to choose. Many companies, however, in adapting to the market and the skills and experiences of their owners, will mix aspects of different business models.



• **Franchises.** A growing number of companies are offering franchises as a way to enter into the business. The allure of a franchise is that a new business owner is working with a company that will do the marketing and prepare the business plan. The franchiser will supply equipment, training and both marketing and technical support.

Franchises are a new development in our industry, and their numbers are growing quickly. Franchisees are often encouraged to open storefront or kiosk locations to sell directly to end users. Those who choose to buy a franchise are often seeking to run a business—but not create one. Franchise fees pay for all of the work a business owner will not have to do. There also is the comfort of having an experienced company to work with hand-in-hand every day. Some franchises offer a number of different programs at different costs.

• **Total Remanufacturers.** This is the most traditional model in the cartridge remanufacturing industry. A business created on this model will remanufacture the products it sells to both the retail and wholesale markets. The key here is to control costs and to focus upon the most popular cartridges and those offering the greatest profit margins.

This model seems to attract the more technology-minded owner who wants to produce and sell a product. Such owners may show deficiencies in sales and marketing, which seems to require a different set of skills, interests and personality characteristics.

Total remanufacturers often offer new OEM cartridges to customers as a way to open the door to sell their own remanufactured products. They also may offer printer maintenance and repair services through small service departments made up of one or two technicians.

• **Remanufacturer/Resellers.** This model enables the business to choose which cartridge models to make and which to buy from larger remanufacturing companies in order to meet customers' needs. Remanufactured cartridges can be bought at wholesale cost from a number of large international manufacturers.

This is becoming the dominant business model in the United States. The model relies equally upon remanufacturing and selling. It is a way to be "all things to all people."

Printer maintenance and repair services also are a frequent addition. It is not unusual for a company to offer refurbished or even new printers to customers.

• **Total Resellers.** This model is attracting increasing attention. These companies purchase everything they sell from other remanufacturers. They are able to offer a full line of cartridges for printers from each of the major printer makers without incurring any of the costs of making them. Agreements can be made with third parties for printer maintenance and repair services. The trick is to purchase cartridges for resale at good prices that will not be impossible to maintain under the pressure of competition.

Additional information about these various business models is available on the Int'l ITC website, www.i-itc.org. Industry magazines, such as *Imaging Spectrum*, from time to time publish information that is useful to entrepreneurs and first-year cartridge business owners.



Q: What are the start-up costs?

A: Start-up costs depend on the business model. Franchise packages range from \$60,000 to more than \$150,000 for a complete turnkey store or kiosk.

The average remanufacturer, according to the most recent surveys, spent between \$10,000 and \$15,000 in initial business costs. One Internet company claims to provide a start-up kit for \$200.

It obviously depends upon the decision to remanufacture or to resell, to automate or not, to sell in malls or storefronts, etc. Many businesses start up as resellers and then move on to become at least partial remanufacturers.

For those who start as a reseller, costs will include a beginning stock of toner and ink cartridges as well as advertising and sales materials. It also would make sense to include the costs of various media advertising.

For those who start as a remanufacturer, costs will include the basic equipment and supplies needed to remanufacture the initial stock. These costs probably will include an assortment of empty cartridges, toner vacuums, test equipment, printers, toner and replacement parts.

Those who choose to refill ink cartridges will need ink, packaging and a variety of tools and equipment necessary for refilling. It also is necessary to have empties and a supply of new ink cartridge cores. They are available for several of the major brands—but not all.

Be sure to allow for marketing and sales costs. A company may remanufacture great cartridges, but somehow customers have to know about them and have easy access to them.

A start-up company also needs space and the essentials of any business, including telephone, fax machines, PC with Internet connections, general office supplies and business insurances. A new business must be registered and also may be incorporated to protect its interests.

Q: What are the most common mistakes of start-ups?

A: The first common mistake is to underestimate the effort required to sell products and service to customers. Sales and service require long hours and dedication. Good sales representatives command good compensation because they are worth it.



An almost equal weakness is the temptation to make the cartridges as cheaply as possible to maximize early profits without regard to quality. The only thing better than a sale is a repeat sale. If a business loses customers due to poor performance, it will not become profitable. Repeat customers are essential to the success of any business.

But, the greatest single weakness of all types of start-up businesses is inadequate capitalization and overly optimistic cash-flow projections. There will be unanticipated problems, and the best answer to most problems in business is a cash reserve!

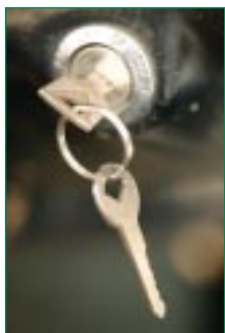


Q: What about waste from the business?

A: The proprietor of an environmentally-responsible business will want to present a good example of proper waste management to the community. This means:

- ✓ Using recyclable and recycled materials and supplies as much as possible in every aspect of the business,
- ✓ Reusing materials and supplies as many times as possible without diminishing product quality,
- ✓ Sending as much of what cannot be reused to recycling centers that will keep them out of the solid waste stream by turning them into raw materials used to make other products, and
- ✓ Complying with the requirements of programs such as the Waste-Wise initiative of the U.S. Environmental Protection Agency.

Appropriate waste management also will save a great deal in commercial waste removal charges. Remember, reuse is the best form of recycling!



Q: How do I get started?

A: Here are eight steps to consider before jumping in:

1. Make sure that you and your family are in the position to start a business. Do you have adequate cash reserves? Do you have adequate medical insurance? Will some family members bring income into the family from other jobs during the start-up phase? Are family bonds strong enough to hold the family together during the stress and strain of starting a business?

2. Conduct a market survey in the area you have selected to assure that there are more than enough potential customers and to assess the competition. Can you compete for business? What will it take?

3. **Create a first-year business plan**, including financial projections of income and expenses. Specify the business model you intend to initiate. Take it to several banks and see what they think. Would they approve it? What would they want changed before approval?
4. **Consider joining the International Imaging Technology Council (Int'l ITC)**, and network with members before taking the plunge. They can share real-life perspectives on the business and your market potential. You also will be able to access great "how to" technical and management support resources as well as back issues of our industry-leading publications available only to members. The Int'l ITC offers various levels of membership which change as your interests and business needs change.
5. **Log onto one of the Internet forums** of the cartridge remanufacturing industry that provide places for cartridge remanufacturers and resellers to exchange information and perspectives. You will learn a lot from reviewing their posts. And, the websites are all free.
6. **Attend a major industry conference.** Conferences are conducted in the United States, South America, Western Europe, Eastern Europe, Asia and Australia. The conference dates and locations are posted on the Int'l ITC website. The Int'l ITC's Annual Conference is the highlight of every year. You can register through the website.
7. **Begin qualifying suppliers** of components and cartridges ready for resale. The major ones are listed on the Int'l ITC website and advertise in *Imaging Spectrum* magazine.
8. **If you are ready and confident, enact your business plan.**



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