

# POV



guest columnist • Craig Faczan

## BOOSTING MARGINS WITH COMPATIBLE TONER CARTRIDGES

Selecting the right vendor partner for aftermarket toner cartridges is the key to increasing margins, while providing your clients with a less expensive, green alternative to OEM offerings.

**MANY VARs NEGLECT IMAGING SUPPLIES** in their product portfolios, and for good reason: There is very little margin on printers and OEM cartridges. With high-quality aftermarket products, however, you can develop a good source of recurring profits.

**Quality is the single most important factor when choosing an aftermarket supplier, because if the product does not work as advertised, you have not only lost the opportunity, but raised questions about your overall value proposition and reputation.**

According to market research firm InfoTrends, OEMs own 73 percent of the market in monochrome cartridges and 93 percent in color cartridges—statistics that are lost on many solution providers. Generally speaking, competing with aftermarket cartridges is a losing battle: The market is small, price-driven, and saturated with competition. Why compete with thousands of companies fighting for a small percentage of the business when you can strategically convert customers from high-priced OEM cartridges and reap the rewards?

In the life of a typical laser printer, 80 to 90 percent of its total cost of ownership (TCO) is from cartridges. A high-end network laser printer that outputs a million pages may cost \$1,000. Over its life, the printer will probably use about \$8,000 in cartridges and require about \$1,000 worth of service. To compete with local providers, the Internet, and even the OEMs, you likely would need to sell at 10 percent margins to reap about \$1,000 of profit over the life of the printer. Clearly, that is not a compelling business model.

If you find a quality aftermarket cartridge manufacturer, however, you can offer OEM-compatible cartridges and dramatically increase your margins. Because you will save your customer about 25 percent of the cost of the OEM toner cartridges, sales drop to \$6,000. But at a realistic 40 to 50 percent margin on aftermarket cartridges, your total profits over the life of the printer would be more than \$3,000. Multiply that by the number

of printers in a typical 100-employee company and there will be some obvious bottom-line benefits.

Although there are substantially higher margins on aftermarket cartridges, there are also many common pitfalls and misconceptions about the market and its products. Not all aftermarket cartridges are created equal. To be successful, you need to find the right vendor partner and focus on displacing sales of OEM cartridges to your clients. Quality is the single most important factor when choosing an aftermarket supplier, because if the product does not work as advertised, you have not only lost the opportunity, but raised questions about your overall value proposition and reputation. Here are a few things to look for when choosing your vendor:

- A positive reputation and proven track record of quality
- Training, marketing tools, and other support
- Manufacturer-direct sales to eliminate distributor markup
- A branded product so you can use the manufacturer's reputation along with your own
- Channel integrity
- A warranty of more than one year
- Products made in the United States to speed delivery time

With the right vendor partner and a loyal customer base, you have an opportunity to develop a new source of recurring revenue. Perhaps more compelling to your clients is the “green” aspect of remanufactured cartridges, not to mention their lower sales price and TCO. Carpe diem!

**? Whose POV do you want to hear?**

Send suggestions to [cpeditor@ehpub.com](mailto:cpeditor@ehpub.com)

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