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BUILDING
TRUST IS
KEY



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DOING BUSINESS WITH CHINA

Issue 108 (US\$10.00)
ISSN 2050 6449



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To exhibit, please contact: Victoria Zhao

✉ Victoria.Zhao@RTMworld.com ☎ +86-756-3919263

To visit, please contact: Joy He

✉ Joy.He@RTMworld.com ☎ +86-756-3959281

Cairo, Egypt

To exhibit, please contact: Mohamed Maher

✉ M.Maher@egyptchinatec.com ☎ +20-10-06394323

To visit, please contact: Yomna Nabil

✉ Yomna@egyptchinatec.com ☎ +20-10-11880164

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FRONT COVER



Thousands of workers assemble
remanufactured and new-built printer
cartridges in the hundreds of factories
in Zhuhai, China, the world epicenter
for printing consumables.



China has been reaching out to new markets for centuries. Funded by the Chinese Ming emperor, a Muslim eunuch set out in 1405 with a fleet of 317 ships holding almost 28,000 crew men to Brunei, Java, Thailand, India, Africa, Arabia... and America! It is alleged Zheng He reached America 74 years ahead of Christopher Columbus.

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David Gibbons

I had no idea what would be stirred up when we decided to embark on this special edition of the magazine focussing on doing business with China. Hundreds of you came out of the "woodwork" to share your experiences, as Mark Pinner said, "the good, the bad and the ugly" See page 43.

An amazing number of you in North America, including Canada and Mexico responded to Tricia Judge's online Int'l ITC survey. She's never had quite a response like that, nor have we, to capturing your thoughts. Many of you

wished to remain anonymous and we respect that, but your experiences are "gold" for those just embarking on this journey. I was surprised to learn that 70.3 percent of you have already purchased Chinese cartridges. There is no middle ground of course and it was just as interesting to learn that 30 percent of you have not. See Judge's article on page 22.

The issue of bad quality and health concerns related to Chinese produced toner continues to be a hot topic wherever I go. In Frankfurt, Moscow and Chicago I hear of embarrassed distributors selling products that don't meet local and regional environmental and health standards. Of course, it has become another case of blaming big bad China. Graham Galliford addresses the toner issue on page 12. Ian Elliott argues on page 6 that there is no underlying reason why products manufactured in China should be of lesser quality than similar products manufactured in more mature economies elsewhere in the world.

But it's become popular with some to argue that everything in China is bad, in some sort of defense to maintain the status quo, to keep things the way they have always been.

Candle makers warned their customers that electric lights would burn down their houses in the early 1900s. Coach and carriage makers warned that brand new automobiles would cause their owners to suffer organ failure. Nor would I want to be fax machine or VHS tape salesperson today either. Change is here to stay, as it always has been, and we cannot be the ostrich referred to by Steve Weedon on page 46 and pretend the future will remain the same. It won't.

How can I help you? Come to China and let us walk you through the maze to find suppliers you can trust and earn good profits. This journal will help you understand the issues and will help you to grow your businesses. Come to Zhuhai, China in October to the largest, dedicated office, print and copier supplies expo on the planet and let us help you further.

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Publishers

Tony Lee David Gibbons Sabrina Lo

Editorial

Christine Zhang Christine.Zhang@RTMworld.com
Maggie Wang Tequila Yan Amber Guan

Design

Miuling Peng KK Deng Mavis Wang

Offices

USA

Tricia Judge (Senior Consulting Editor) tricia@i-itc.org

Argentina

Gustavo Molinatti gmolinatti@guiadelreciclador.com

Mexico

Ivan Rosales ivanrill@gmail.com

Egypt

Arab Print Media
Walid Qorish walid@arabprintmedia.com

Australia

Sabrina Lo Sabrina.Lo@RTMworld.com

Korea

James Hwang jdhwang@hotmail.com

India

Jayendra Patel pateltraders@gmail.com

Russia

Business Inform
Stanislav Malinskiy malinskiy_stas@mail.ru
(RT Media is the Official co-organizer of Business-Inform 2019)

South Africa

Patrick Naude pat@cmkindustries.co.za

Japan

Iemori Kanetoyo kanetoyo@sunwise2001.com

China-Head Office

Office 2302, Building 2, V12 Creative Park, No. 32 Nanwan
North Road, Zhuhai, China
Tel: +86 (0)756 3220716

Subscriptions

Joy He Joy.He@RTMworld.com

Advertising

Penny Liu Penny.Liu@RTMworld.com

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Email: Fiona@teshine.com

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Right or wrong
questioning Chinese pro
is **likely** to



Product quality continue

— Ian Elliott



With more than 30 years of executive level experience within the printing, imaging and aftermarket industries, Ian Elliott's portfolio covers start-up's, sales, distribution, reverse logistics & asset recovery, business development, executive consulting and management services. Mr. Elliott is well versed in aftermarket distribution strategies, supply chains and the effective use of information technology in business.

<IanElliott@EandSsolutions.com>

There is no underlying reason why products manufactured in China should be of lesser quality than similar products manufactured in more mature economies elsewhere in the world.

Chinese technology has advanced rapidly over the last few decades, an advance no more vividly demonstrated by way of a Chinese launched, and Chinese operated, robotic lander on the far side of the moon, currently conducting research that may one-day help lead to the development of a permanently manned lunar base.

To possess the cutting-edge technology necessary to place a robot on the moon should conclusively disprove the notion that Chinese products are inherently inferior. Of course, this is just one example but, for anyone who has seen and experienced Chinese infrastructure in terms of architecture, transportation, manufacturing facilities, and scale, etc., they also should know there is no underlying reason why any of the products made in China should be inferior.

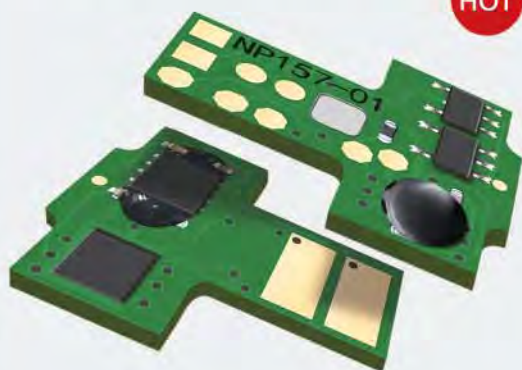
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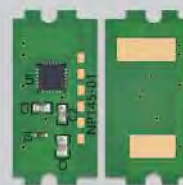
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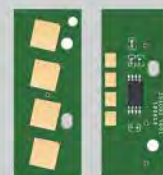
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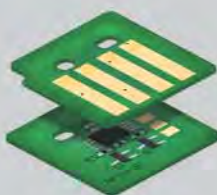
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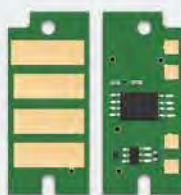
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200 million iPhones are made in China every year. How many other globally recognized, high-tech, mass-market devices are produced with such consistently high quality anywhere else in the world? Except, perhaps, for ink and laser cartridges already manufactured in China by various OEMs!

So, why is it, in our less than glamorous world of ink and toner, that we constantly experience new headlines for poor-quality aftermarket cartridges coming out of China? Whether it is for claims of poor print performance, infringement of third-party intellectual property, toxic materials in plastics, carcinogens in the toner powder, etc., the list of headlined deficiencies seems never-ending.

The reasons for this are two-fold.

First, because some of the products are undoubtedly poor quality and regardless of how isolated these occurrences may be, they represent a shortcoming that justifies some of the headlines and, second, because Chinese new-build

200 million iPhones are made in China every year. How many other globally recognized, high-tech, mass-market devices are produced with such consistently high quality anywhere else in the world?

cartridges (NBCs) are a disruptive threat toward the old order.

Let's deal with these two sets of circumstances separately.

We all know that prices (for example in the Amazon marketplace) for new-build cartridges are often at, or below, what we would expect the bill of material

There is no reason why a Chinese new-build cartridge from a top-tier manufacturer should not consistently match the performance of an original brand cartridge.

(BOM) cost to be. This means two things. First, manufacturers are skimping on the materials to reduce the cost and, secondly, poor quality (inconsistent) products, that didn't meet their original customers' requirements are being liquidated, at or below cost, rather than being re-worked or destroyed.

We all know, at least for the three or four Chinese top-tier manufacturers

(with a combined market capitalization in excess of US\$4 billion), there's no excuse for an inferior design that results in poor quality performance, and there's no excuse for ignoring the build requirements necessary to consistently meet a specified performance standard.

There is no reason why a NBC from a top-tier manufacturer should not consistently match the performance of an original brand cartridge.

Few should doubt the ability of a top-tier Chinese manufacturer to develop a specification for manufacturing a product that is at least the equivalent, in terms of performance, to that of the original brand product it's designed to replace. However, more may doubt the commitment, or current ability, of a top-tier manufacturer to utilize technology to ensure it consistently meets that manufacturing specification.

Technology may, for example, involve the use of robotics designed to eliminate human error in the manufacturing process but, perhaps more importantly, it may also require the use of information

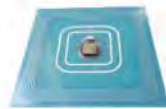
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technology to help manage (for example) the raw material supply chain. If the right materials are not in the right place at the right time, how often may an agreed BOM have been sacrificed to meet a customer-committed delivery date rather than delaying production until the specified components become available?

Whichever way you look at it, it's no good spending money implementing world-class Enterprise Resource Planning (ERP) software, and then limiting its use to store data that is later downloaded into Excel spreadsheets for mission-critical operating decisions. This approach doesn't work, it sidesteps the controls and efficiencies that effective use of software brings and can often be a shortcoming responsible for inconsistent product quality.

If the Chinese manufacturers wish to remove themselves as targets for headlines denouncing the performance of their products, then they must implement the processes and discipline necessary to achieve consistent quality performance.

Until enough controls and processes

are in place to prevent these issues, those who stand to lose the most from the threat of disruption will continue to do everything possible to exploit the weaknesses. This will be accomplished, at least in part, by sponsoring headlines designed to cast doubt on the capabilities of the potential disruptors. It's no different from the Tesla detractors headlining a negative story about an auto-pilot incident, the Airbnb detractors

If the Chinese manufacturers wish to remove themselves as targets for headlines denouncing the performance of their products, then they must implement the processes and discipline necessary to achieve consistent quality performance.

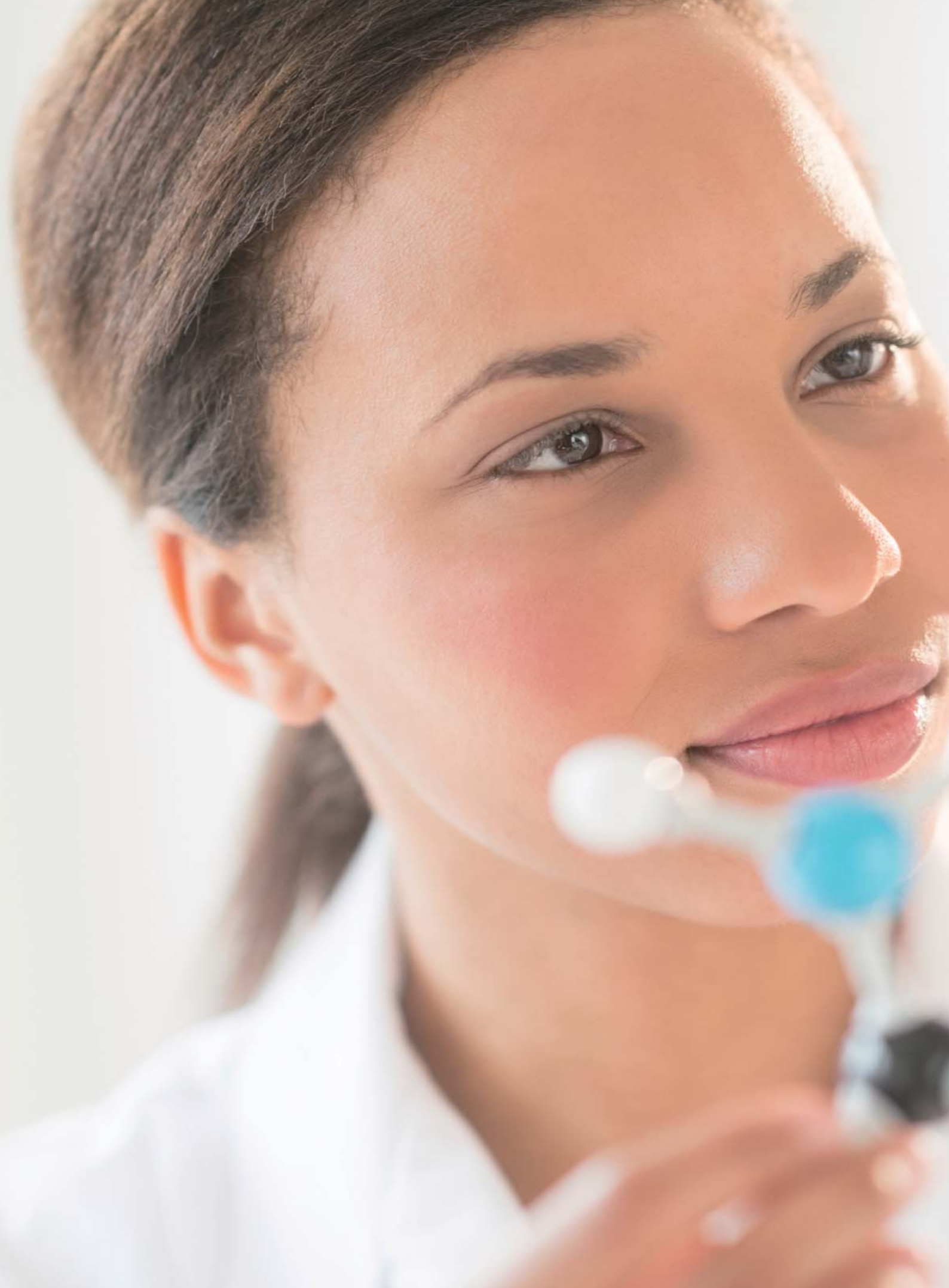
headlining a client who trashed a room, or the Uber detractors headlining a rogue driver incident. Those who stand to lose the most will invest some of their profits to highlight incidents that harm the reputations of the disruptors because this is where the greatest threat to their future profit comes from.

However, it's not just the negative headlines centered around product quality that serve to limit market

penetration of Chinese NBCs. There's a legacy distribution system in place that protects the existing manufacturers, the wholesalers, the distributors, and the buying groups, and that serves to protect the old order to the detriment of the resellers and their customers. Until alternative technology is available to the resellers that allow them and their customers to "pull" the products they prefer instead of being "pushed" the ones

their suppliers are currently motivated to provide, Chinese alternatives, regardless of their quality, are likely to continue to experience limited success.

If technology solutions become available which are subsequently embraced by the resellers, the barriers that have helped preserve the legacy players' market share are more likely to be broken down. However, even if these technology developments do occur, it will be to no avail unless the Chinese NBCs-manufactured alternatives that could, in these circumstances, finally be facilitated into the distribution network are not 99.9 percent reliable, 99.9 percent of the time. ■



Examining the Quality of Toners

— *Graham Galliford*



Graham J. Galliford is a world-renowned consultant, researcher, writer and speaker for the global imaging industry. His work has encompassed technologies in a variety of printing components and products but has worked primarily in the field of toner-based printing technology since 1974. He can be contacted at graham@gallifordconsulting.com.

There have been recent reports about the bad quality and health consequences of Chinese produced toner. Where does bad quality come from?

Just as with any product from any country, the quality of toner depends on the manufacturer of that product and the decisions that are made by the formulator, and the purchasing and manufacturing departments. The composition of any powder toner consists of pigment, polymer, wax, charge control agent, bulk additives and surface additives.

In general, lower-cost raw materials, wherever they are sourced, are likely to contain “impurities” that could possibly be undesirable from a health and safety perspective. A variety of such trace materials have been identified as potential health hazards in toner. One

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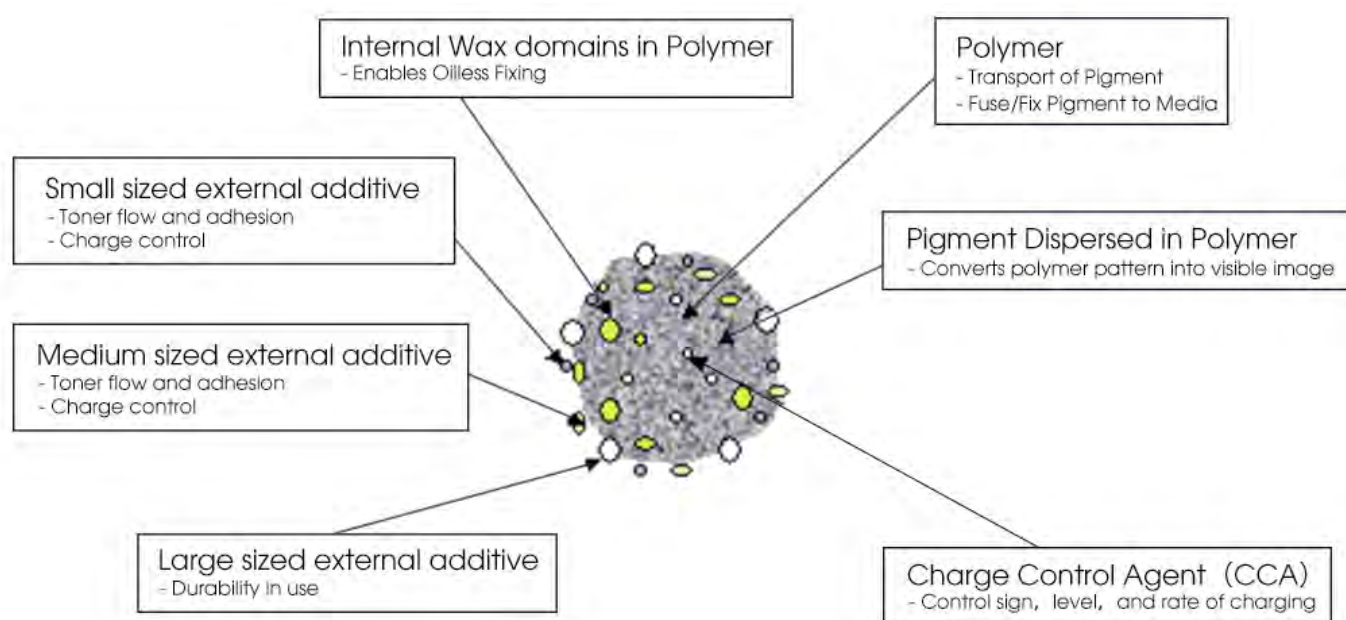
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category of the materials of concern include Volatile Organic Compounds (VOC) – including Styrene, Benzene, ethylene glycol, formaldehyde, methylene chloride, tetrachloroethylene, toluene, xylene, and 1,3-butadiene.

Such materials, if present in toner, can be released into working the environment during the fusing/fixing stage of the print process. As the toner that is transferred from the photoconductor to the paper or other substrate is heated reaching 130°C to 180°C any VOC content of the toner is volatilized and exhausted from the print engine by the machine cooling system through the fan and duct to the space in which it is being operated.

Other sources of environmental pollutants from toner are toner dust and loose toner surface additives. All toners comprise finely divided particles that have a mean particle size of anywhere from five to ten microns. This mean is only the middle point of the toner particle size range, and toner can contain particles of size well below five microns and well above ten microns

The removal of particles from any source of dust that penetrate into the gas exchange region of the lungs depends on a variety of factors, but significantly depends on the diameter of the particle. Hazardous particulate size is primarily

less than five microns, and particle sizes of 2.5 micron (PM2.5) are often used in the U.S. to describe non-respirable dust. The particle size distribution (PSD) - the range and percentage content of toner particles by size of any toner - depends on the toner composition and the toner production conditions. With respect to toner dust, less careful, and typically lower-cost manufacturing, can be responsible for toners that “dust.” Such toners might have a mean particle size that matches that required for operation in a particular engine. but have a psd that is too broad or has a high fractional content of ultra-small-sized toner particles.

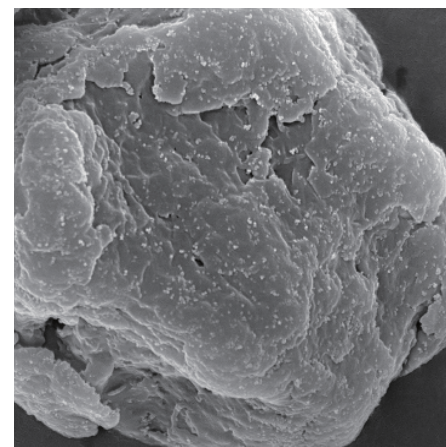
In addition, the surface additives that are used to promote toner powder flow, durability and charging need to be processed in the production of the toner such that they are sufficiently well attached to the toner particle surface to prevent their release from the surface of the toner particles during the entire printing process.

This process is highly agitating: starting with the agitative processes in the print engine of delivery from the toner reservoir, application to the developer roller, transfer to the paper or substrate and on to the downstream processes of printing. The typical

surface additives used in toner are ultra-small in size compared to the toner, with sizes ranging from eight to 250 nanometers, well below the PM2.5 particle size considered to be dangerous from a respirability perspective. Typical materials used include silicon dioxide, aluminum oxide and titanium dioxide.

In addition to the dust respirability factor, there has been recent attention to the question about the effect on health of ingestion of titanium dioxide. The scanning electron microscope (SEM) picture below shows surface additives as very small white dots on the toner particle.

The foregoing gives some idea of the range of issues regarding the





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development and manufacturing of toner, and these matters concern all toner manufacturers worldwide. That the manufacturing of toner, particularly for the aftermarket, has shifted geographically from Europe and the North America to Asia brings the focus to that region. Production in China is of course an important development of this trend. The other aspect of this shift is that there has been development of raw material supply in Asia in support. Sources of locally manufactured toner ingredients have been established and developed. Some of those companies are new to the toner manufacturing industry and have been on a “learning curve” regarding the requirements of materials for toner.

With this geographical shift, new manufacturing capacity, as well as transferred production capacity, has been established. Simultaneously, there has been constraint on production caused by the softening of demand, particularly for types of toner most popular in the aftermarket. This imbalance in the “push-pull” between the available capacity and market demand has generated severe price competition

and depressed profitability in the toner manufacturing industry, particularly in the more recently developed toner manufacturing in Asia.

The natural response by toner manufacturers in attempts to mitigate this is to economize and attempt to reduce unit cost by reducing raw material and manufacturing costs. For some manufacturers, this means that they are using lower quality polymer, pigment, magnetite, wax, and other ingredients and increasing production throughput rates with consequential degradation of PSD and integrity of the toner and its additives.

In general, but not universally, lower cost raw materials, and the use of raw materials, that are not designed for toner use, results in issues of high VOC content and content of undesirable trace materials. The changes made in raw material compounding conditions to increase throughput rate resulting in higher heat and energy input can cause degradation of raw materials and the creation of VOC fractions.

Higher production throughput rates in fine grinding to reduce energy

cost content per kilo and changes to classification to maximize product yield, both strategies to reduce product cost potentially increase the likelihood of “dusting” of toner in use.


There is no such thing as “Chinese toner” as a homogenous set of products. As has always been the case in the toner industry, irrespective of location of manufacture, there are within toner manufacturers professionally oriented, responsible manufacturers, which develop and manufacture their products responsibly with the objective of maintaining standards of performance and minimization of any negative environmental or health impact.

There are also those companies that do not follow the same policies. It is important in any purchasing decision, whether as a reseller or user, that the full cost of purchase rather than the price is considered, as poor quality can significantly impact cost. The efficacy of Chinese toners, just like toner from any other geographical regions, vary. Not all are bad or good. Buyers should be conscientious in their evaluation of products before they purchase. ■

The background of the entire image is a close-up, slightly blurred view of a grid of red Chinese characters. The characters are embossed or printed on a dark surface, creating a strong visual texture. The lighting is warm, emphasizing the red color.

China's Long History of Innovation Leadership

— Steve Weedon



China only joined the World Intellectual Property Organization (WIPO) in 1985. Some, when learning of this, are surprised and that's because in the West can trace back the origins of patents at least 2500 years ago to the City of Sybaris, originally part of Ancient Greece and now part of southern Italy.

The elders of the city granted protection rights to anyone who "invented" something of luxury. Usually recipes for meals or refreshments. The inventor would get exclusivity for a year and therefore have a short-term monopoly to exploit, but the inventor had to lay open the exact process, ingredients and steps for all to see.

The question is why did it take China so long to join the WIPO? Was it that they were not inventors or was it more to do with the open culture and the way in which totalitarian rule decided how the civilization should be controlled?

Throughout history, the Chinese have been recognized as prolific inventors: gun powder, the compass, paper, print and so on. So, this is not the reason. The fact is that through the ages the ruling dynasties didn't believe that useful inventions should be monopolized for the financial benefit of a few when the masses could benefit from the new modern technology.



Four ancient Chinese inventions (clockwise from top left): printing, gunpowder, papermaking and the compass.

Cai Lun is said to have invented paper in China more about 1914 years ago. He decided to use plant fibers in his process resulting in a thinner, whiter parchment that when dried and cut created a perfect substrate for painting, printing, drawing, writing, flying (kites) and a host of other uses. He took his invention to the emperor, who decreed that every village should be taught how to make it so that the greater population could benefit. No patent, no exclusive period for exploitation, just a decision to allow the people to benefit. Lai received perhaps the greatest reward of all in being known as the inventor of paper for eternity.

As with most inventions, there is no such thing as an original thought. Someone somewhere has had the same

thought, taken past technologies and inventions and made them better, faster or cheaper. Lai was certainly aware of papyrus parchment used by the Egyptians 2,000 years before. He improved it, used what was local and made history. Today

The Chinese file more patents than any other country. Three times as many as the U.S. who is now in second place.

a sheet of paper goes a long way, has thousands of uses and costs about half a cent. You will find it in every corner of the world and it goes down as one of man's most successful inventions. A bit like the wheel or fire.

Had paper been invented in modern times in the West, no doubt it would have been patented and exploited and far less

successful. It is not a stretch to envision a paperless world many decades ago since the need to have a substrate to draw, or write, upon is universal. Paper's success as an intrinsic part of global life for almost 2,000 years prevents the

newer patented technologies which are already here, from creating the paperless world. The entry cost is simply too high compared with half a cent, and of course, you need a

source of power. No batteries needed to read a sheet of paper. By the way, did I mention you can use both sides, recycle it, screw it up and throw it in the waste paper basket only to be able to retrieve it, flatten it out, and use it again? What an invention! We won't see a paperless society any time soon.

China was a late starter to patents. The U.S. led the world in patent filings, double that of European countries for many, many decades. Now the table has turned. The Chinese file more patents than any other country. Three times as many as the U.S. who is now in second place. Now China wants to protect its own technologies as it morphs from a replicator of products invented elsewhere to a technology-driven economy leading the world into the future. The sleeping giant has awakened. In 1979, Deng Xiaoping declared an open policy for China. "To be rich is beautiful," he declared. The West was quick to exploit the cheap labor and moved production





China's "four great new inventions" in modern times: (clockwise from top left): cash-free mobile payments, high-speed rail, bike-sharing and E-commerce.

from Taiwan and Hong Kong to lower-labor-cost Chinese factories. Chinese government-supported, state-owned enterprises, giving land and money for building factories filled with German-made machines.

Thousands upon thousands of companies began producing whatever the Western consumer needed. A typical worker would work six days a week at ten-hour shifts, sleep in dormitories holding up to 16 people to a room for about \$160 a month in pay. Today it is a little different. Dorms give way to high-rise apartment blocks for workers, salaries have quintupled, the pedal bikes have given way to motor cars to a point where there are so many cars, it is quicker to use a pedal bike. Infrastructure investments over the years have built good highways, fast "bullet" trains up and down the country, the world's longest bridge from Hong Kong to mainland China, and space landings on the dark side of the moon. The small towns have become new cities, the skyscrapers fill the horizon and the pace of change is phenomenal. What's next?

China achieved in a decade what it took the British 150 years to accomplish in the industrial revolution in order to bring people out of abject poverty. It hasn't happened by chance. Every step has been carefully planned and thought through. China has a 50-year plan, it

has patience, it is determined and it sits on three trillion in U.S. dollars. It has invested much back into the US, prompting Warren Buffet to say, "Whether we like it or not, we all work for the Chinese." The Chinese consumer market is now growing fast, they have plenty of money and there is nothing they won't buy. They now have more millionaires than the U.S. and Prada, Chanel, Dior, Louis Vuitton, Rolls Royce and Bentley are all selling more in China than any other marketplace. Chinese workers now get more paid time off than a typical US worker. GDP

Today a sheet of paper has thousands of uses and costs about half a cent and it goes down as one of man's most successful inventions.

value in China is now nearly 20 percent of the world economy, and sets China on a course to be world's biggest economy soon, taking the top spot from the U.S. When this happens, it will signal the first time that a "developing country" nudges a leading "developed country" to the sidelines. China will want its say on the world stage, the West will not be happy about it. The world is being all shook up, as Elvis used to sing.

I figured out a long time ago that you can't compete with China, so run toward it and see what it can do for you. The Chinese ideology of building "cluster"

cities to dominate world markets in one government supported area is something not replicated in the West, but it has huge benefits and impact. Sock City, located in Datang, Zhejiang Province, dominates the world sock markets producing 19 billion pairs a year, Shenzhen dominates the world electronics' markets and Zhuhai dominates the world's cartridge consumable markets with more than 600 companies located in and around the city. Zhuhai is not going away. It is impacting the global marketplace. It produces a range of qualities, very poor, poor, not so bad, ok, pretty good, very good, outstanding and excellent.

Some world class companies produce the best, patent-safe compatibles that fully comply with E.U. and U.S. regulations at prices far below a remanufactured cartridge price. These world class companies will continue to grow while patent infringers will get sued and forced out and poor quality companies disappear as they lose customers.

China is a dominant force in our industry. There is the worst and the best there. There is as much fear for them doing business with the West as the West is fearful of doing business with them. But it is the place to do business, if you want to survive and prosper in the year of the pig. ■

The Sino-American Cartridge Industry: Strange Bedfellows Make Progress

—Tricia Judge





The North American imaging supplies marketplace has been severely impacted by the introduction of new-built cartridges from China. This is not news.

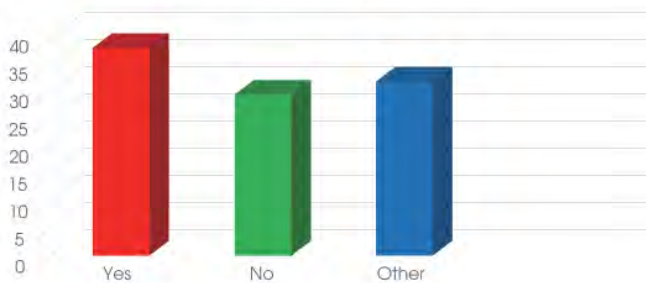
Industry analysts and their intelligence support the trend of consumption of new-built cartridges and away from remanufactured cartridges. The internet has driven this trend as bargain-basement-priced cartridges are sold widely across platforms.

What are the North American cartridge dealers doing? The Int'l ITC reached out to its database to ask about the impact of Chinese companies and their products.

The invitation to take part in the survey was extended and astounding ten percent of those invited to take the survey did so. Clearly, the issue was of importance, and the comments the survey takers made bore that out. While the survey consisted of only five questions, the complex nature of the Sino-American cartridge industry relationship made for complicated answers.

The top takeaway? Low-cost new-built cartridges are in demand. Meeting that demand is not done easily. Cartridge dealers are being quite creative – and diverse – in the way they maintain sales of remanufactured cartridges while also buying new-builds to meet the demands of the marketplaces. However, almost all admit that their relationship with their Chinese vendors is far from seamless. And the Chinese cartridges can be of high-quality, but quality is inconsistent.

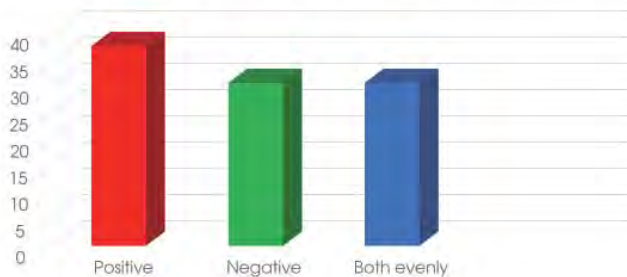
Have you had any transactions with Chinese companies in the industry?



1. The strong showing in the “other” category was because those respondents had purchased the cartridges through a well-known North American intermediary.

“We have purchased some through Static Control Components and wholesalers such as Supplies Wholesalers and Arlington Industries,” said Bill Henry, American Laser Products in Wisconsin. Many other respondents shared similar experiences. It seems a smart way to enter the new-build marketplace, via a well-established wholesaler.

If yes, please describe the experience and whether it was a positive or negative experience?



2. It is no surprise that the larger the company, the better the experience with Chinese suppliers.

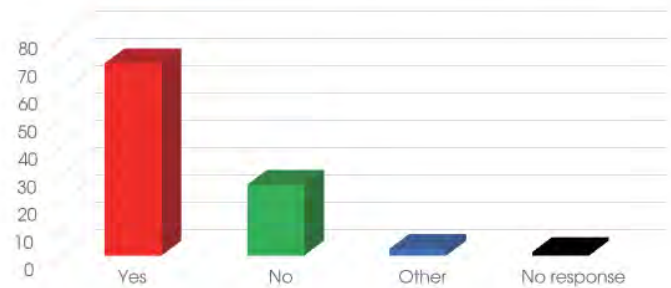
“Being a large company in the industry, we did an in-depth supplier review. Since we took the time to correctly choose our suppliers, our experiences have been positive,” said Tim Matuska, of Katun, based in Minnesota. “May I add, the customer service is far superior than North American suppliers.”

There were very few wholly positive responses, as many cited communication problems.

“Our experience has been mixed. Unless there are very clear communications on purchase orders with photos of the exact product, there are many times you get something that you weren’t expecting. Also, they will change something on an approved product, for a reduced production cost, without approval. We now make vendors pay a fine, double the cost of the purchase order, if anything changes. If the company is truly the manufacturer, we tell them we are willing to pay a higher cost for a better product, and once approved, no changes. We now have an employee in China, just to facilitate better communications and quality control.”—Anonymous, Western States dealer.

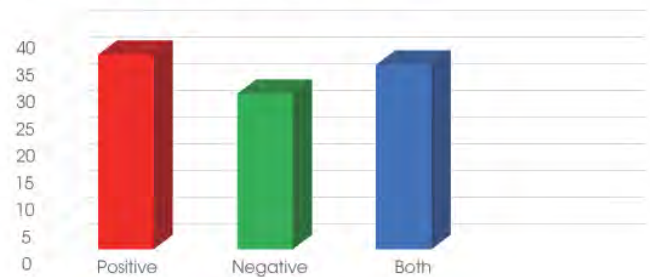
“They were friendly and had decent customer service,” said Craig Cheek, Ameritek Document Solutions in Alabama. “The language barrier was a little challenging at times. The prices were good so we finally decided to give them a try.

Have you purchased any Chinese cartridges?



3. It comes as no surprise that the clear majority (70.3 percent) of North American respondents had purchased Chinese cartridges. This falls in line with what other industry analysts have reported, that there is a clear shift towards new-built cartridges. It is interesting, too, that 30 percent have refused to try them.

Was your experience with Chinese cartridges positive or negative?



The positive respondents were forthright about the need to switch. “The quality has greatly improved over the last few years,” said Tom Landis, Cartridge World in Pennsylvania. “And it has enabled us to remain competitive.”

“Our experiences have been pretty good,” said an East Coast remanufacturer who prefers to remain anonymous. “It beats the heck out of remanufacturing the cartridges yourself!”

“The quality is better than expected, even better than our remanufactured toner. The cost is less than half. We still mainly use remanufactured toner. We use compatible toner for the smaller cartridges,” Vincent McHenry, Laser Lab in Pennsylvania. “I have more respect for the Chinese companies and their products since we started using them.”

As one of the anonymous respondents from the Midwest said, “Buyer beware.”

That seemed to be the theme of many of the respondents.

Even those that responded positively had some caveats for buyers. “If you’ve put in the upfront work necessary, and implemented your quality procedures, the outcome will be positive,” said Matuska (of Katun).

“Prices are good but we have found the quality to be poor especially in the color cartridges,” said Bill Henry, American Laser Products in Wisconsin.

“I was very skeptical as we build our own 100-percent remanufactured North American supplies, said Roy Raghubir, Triple A-1 Services, Toronto, Canada.

“We are very satisfied and the prices are cheaper per cartridge versus our cost of components with our labor excluded. But, some high-speed cartridges do not live up to.”

“We have had both positive and negative experiences,” said Enrique Yuni, Ink Services of Dade, LLC in Florida. “Many of them sell good quality products. And for the most part, we have had good



experiences. Those manufacturers that want to be good are really good. However, if their culture is to compete just by price, they are probably selling garbage.”

Some use the new-builds to supplement their offerings while they wait for the remanufactured alternative to become available. “I have purchased them when my regular remanufacturing partner is not yet producing a particular cartridge,” said Neal Brush of Lasers Image in Virginia. “I have actually had some very good luck with most of the ones I have used. I do always go back to my US-based remanufacturing partner when they release their product.”

Those respondents with reservations cited failures and, once again, poor communication for reasons they had mixed or negative experiences. “The quality of product varies greatly,” said Paul Mervis, Encore Images in Maryland. “And technical support is virtually non-existent.”

In one word? “Spotty,” said Ken Benjamin from Greentree in California. Another respondent used the word “sketchy” to describe her experience.

“They have cheap and thin plastic shells, bad seals, and early failures,” said Irwin Brooks, Iguana Inks and Toner in Utah. “Don’t buy them.”

“BAD. They use parts in cartridges that are not OEM size so that they cannot be remanufactured. Generally, just poorly made. And so cheap, they are hard to compete with on the internet,” shared an anonymous respondent from the Southeast.

Here’s a twist as well. At what point does the Chinese cartridge with sufficient quality become too expensive? “Ten years ago, we lost 10,000 Canadian dollars (US\$7,513) on bad quality cartridges. This supplier refused to give us a credit,” said Shri Bran, Tonex OSS, in Surrey, Canada.

“Now more quality companies have good products, but prices have gone up quite a bit on most of the cartridges. Now they are getting close to where we can efficiently remanufacture them in our country (for a competitive price). Larger companies are manufacturing a quality product, but prices

are quite high. Another problem is they set a minimum order quantity on most of the cartridges and have a long lead time. Then they want to receive the money first and send the goods later. Sometimes you get the product after the printers have been discontinued.”

“Our experience has been neutral to negative,” said Richard DiPasquale, Printer Components in New York. “While Chinese compatible cartridges have filled in some gaps, the risk has generally not been worth the reward as the quality is too inconsistent.”

What is your opinion of Chinese companies in the industry in general?

This question allowed the respondents to unleash their love—or frustration—with the Chinese manufacturers and the products they are producing. Clearly, this group was divided into two camps: those that see these cartridges as a necessary evil, and those that wish they would just go away.

However, there are other issues beyond price and quality. Our respondents question Chinese sales tactics. The products also damage the environment in a way that remanufactured do not.

They also pose a litigation risk as they present potential intellectual property issues. Finally, almost all decry the economic impact of the new-built cartridges on the North American marketplace.

“I wish they were not available, it is killing our industry in the United States,” said Scott Hallmark from Laser Imaging in Texas.

“There is the issue of unfair competition in that they steal intellectual property, then build exact duplicates and undermine the OEM and the remanufacturing industry,” Brush said. “The cartridges are impossible to compete against when the customer only cares about price.”

“While their ability to engineer and market a cartridge is extremely fast and inexpensive,

they are not producing to a high enough quality standard to be successful in the various conditions here in the United States” said DiPasquale. “Patent infringement is also of the utmost concern and most resellers do not have the time or resources to monitor it.”

“The quality was decent in monochrome, but inconsistent in color. Some SKUs were ok in color and others were bad,” Cheek said. “The low prices have hurt our margins and have definitely disrupted the traditional domestic remanufacturing industry.”

“They won’t let go of any sale. They offer what you asked for, but if you seek a lower price, they adjust down the quality. If you ask for higher quality, they claim they have a near-OEM quality option,” said Gaby Salido, XTRA from Hermosillo, Mexico. “Let’s face it, their prices are unbeatable. I still don’t know how they are able to offer those very low prices. I wonder if they are dumping them here?”

“They make a very cheap product. It’s not recyclable. And if it’s defective, they say to throw it out,” said John Gemmell, High Tech Laser Products Ltd., Markham, Canada.

“The low-end toners work ok and are very cheap to buy. But they end up in landfills. Their products are not reusable, hurting North America’s economy. Remanufacturing jobs are lost. How long do we wait for our politicians to get involved?”

“I long for the good old days before China invaded our industry,” said Mike Henry, Macro Solutions LLC in Oregon.

Clearly, there is no cut-and-dried answers for successfully or easily doing business with China. However, doing business with China is not easily avoided. This creates a new dimension to an already complicated business. So, in summary, let’s let a few industry veterans have the final word.

“I am sorry to use them but use them I must in order to remain competitive,” said William Stevens from Newwave Technologies in Ohio.

“I would prefer that they not be in the industry, but I understand that we must deal with the reality of global competition,” Bill Henry concludes. ■



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IN MY VIEW

What advice could you give to the people wanting to deal with China?



USA

Christian Pepper
LD Products

Business in China is like anywhere else in the world, but the language barrier and cultural differences can breed misunderstandings and frustration on both sides. Chinese business people operate very differently to Westerners. It's not uncommon to find vendors quickly vertically integrating and competing with you, so you must be very sure to protect your trade secrets.

The more you invest in building personal relationships—by going to China regularly and spending time with your partners—the stronger you will be, and it's the best way both parties will stay on track for a mutually profitable partnership.

Remember the supply chain can take two to three months, so you must have the capital and planning capabilities to manage these challenges. Keep an eye on the geo/political climate between China and Western markets (most notably the USA) where trade regulations and tariffs cause uncertainties that makes it very hard to plan medium and long-term decisions and partnerships.



South Africa

Beven Sudhu
Green Office

We have been doing business in China for over two decades and it has been a learning experience through out the journey. The markets are constantly changing and the Chinese have a huge role to play, both from a positive and negative perspective. Positive that they are passionate and driven for innovation but negative that they gaining market share throughout the world, sometimes limiting opportunities for local business due to their low cost model. Building long term relationship with the Chinese will ensure a reciprocal partnership and market understanding to help model your business accordingly.



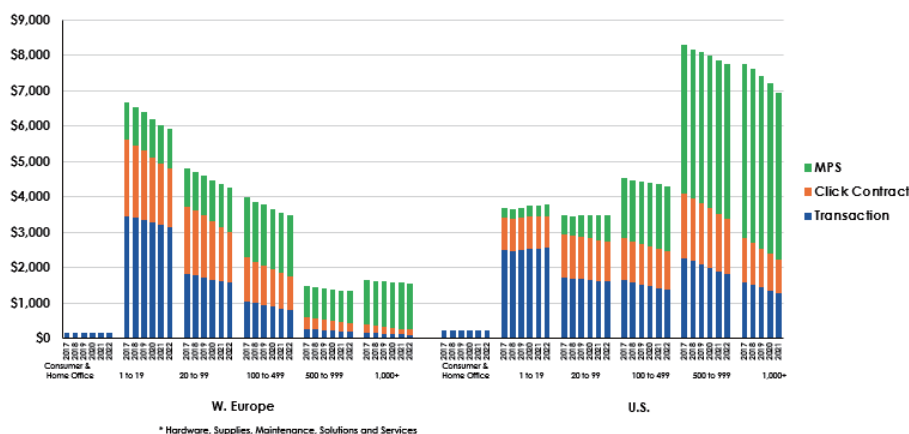
The search for Print as a Service in SOHO and Small to Medium Businesses

In an effort to retain customers, grow market share, and decrease uncertainty, OEM and resellers have long viewed contract-based plans as the best—simplifying the sale of hardware, supplies, and maintenance into a single plan. The popularity of MPS is both evidence of this notion, as well as a preferred means for establishing contracts. That said, traditional MPS is primarily designed for and adopted by larger organizations. The chart below shows for the electrophotographic market for A3 and A4 devices, the selling mode for the sum of revenue for hardware, supplies, maintenance, solutions and services.



John Shane

Figure 1: Office Environment EP Integrated Forecast* \$M by Company size



Source: Keypoint Intelligence-InfoTrends

As one migrates down to SMB customers, MPS has far lower penetration—with the majority of sales being transactional. That said, benefits to customers from subscription-based

print plans are multi-faceted. Users get a better view of their printing needs and habits, but they also eliminate the hassle of managing their printers and supplies—leading to a seamless print experience.

IN MY VIEW

What advice could you give to the people wanting to deal with China?



India

Jayendra Patel
Patel Traders

The Chinese are extremely innovative when it comes to technology and they are continuing to improve their English communication skills with the use of apps like WhatsApp and WeChat. Since I first started participating at the RemaxWorld Expo some five years ago, I have seen hundreds more Indian people making the trip to Zhuhai to look for good prices. However, the demand for better quality has now become a more important factor in order to sustain trust in the market. Quality is as important as price when comes to having a competitive product. The Chinese understand it and are responding to it with innovative product features.



USA

Sunny Sun
Recharge Asia Corp

Trust is the key ingredient if you want to cultivate any successful business relationship. It is even more true when doing business in China, one of the world's fastest growing economies. In Chinese culture, trust is mostly developed at the dinner table where hard liquor (白干) is involved. Business deals are usually sealed over a hard-earned and trustworthy network of Guanxi—personalized social networks of power, my advice is to learn about the concept of Guanxi if you want to fully understand the dynamic, Chinese business landscape. It has broad cultural and business implications that stress the importance of associating oneself with others focusing on tacit mutual commitments in a hierarchical manner.



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For example, subscription plans can start via Internet-based assessments to provide recommendations. Customer criteria, such as company size, vertical market, number of people who print, how they print, and the types of documents they print, could be input into a recommendation tool—suggesting the most appropriate device or devices for their needs. Once the devices are delivered, remote monitoring software lets the service provider solve issues remotely.

Supplies could be delivered proactively, so customers never run out of toner or ink. If usage patterns change, supplies delivery could be adjusted to the correct frequency without any user intervention. And if product features improve in the future, upgrades could be rolled out automatically.

The main benefit to vendors is a consistent and dependable revenue stream, but other benefits include higher customer retention rates and a greater overall spend due to increased customer

satisfaction. And because vendors and resellers could resolve many product issues remotely, service costs could be reduced—allowing for higher margins.

While it does not appear that anyone has yet found the exact type of program that would cause a rapid shift in SMB buying practices, Keypoint Intelligence does believe that trends are right for users to shift to contract-type printing

packages.

Thanks in part to “as-a-service” offerings, ranging from smartphone plans to television programs and

even razor blades, customers of all types are growing more acquainted with (and building preference for) subscription-based products and services. To address the shift in buying behavior, OEMs and resellers have developed a variety of subscription programs for lower-volume users that would put supplies, hardware, and even maintenance under contract package pricing models—either monthly or based on print volume.

Keypoint Intelligence plans to further investigate the wants, needs,

New build compatible toner and ink cartridges are expected to increase their market share around the world, to the detriment of OEM and remanufactured cartridges.

IN MY VIEW

What advice could you give to the people wanting to deal with China?



Romania

Victor Matache
Toko

The world is in permanent change and business challenges are significant.

In order to maintain competitiveness in the field of production and trade with industrial products, it is almost imperative to work with a Chinese partner.

To develop a successful collaboration with the Chinese partner, you must first find one that has a common objective.

We, for example, have searched for Chinese partners that are manufacturers of materials for the cartridges remanufacturing industry.

We first contacted Chinese exhibitors at the Paperworld Frankfurt fair. We identified a few potential partners and started working together.

After a few orders with each of them, we were able to identify the producers and select the best ones. (good and stable quality products, good logistics, good commercial conditions, technical support).

We tried searching online on the Alibaba platform, but we have not been able to identify real producers. There are mostly merchants, resellers.

The most relevant experience in developing cooperation with Chinese partners was through participation in RemaxWorld Zhuhai Exhibition.

First of all, the presence at the exhibition and at the Summit of the exhibition, allowed us to meet the main producers of materials, spare parts, toner, and ink cartridges.

In addition, we visited the factories of some partners and potential partners. These visits are very relevant for partner evaluation: seriousness, reliability, development potential, quality control capacity, logistics, organization of production.

In conclusion, experiences with Chinese partners are very beneficial if they are well managed. We have learned that we do not need to look for the best prices but the most stable quality.

Mutual visits with partners are a binder that strengthens collaboration development.”

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ROB LINN

Senior Digital Account Executive

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800.825.9633, ext. 210

rlinn@asaypub.com

COLTON CRAIG

Digital Advertising Sales Assistant

417.781.9317, ext. 215

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and interest around subscription print plans of a variety of types in 2019. In the meantime, the expectation is that vendors will continue to offer new innovative plans—particularly those focused on the SMB market. It's all part of an effort to convert customers from ad-hoc transactional buying to what they hope will be an easier purchase to make and to manage over the years.

NBCs Will Continue to Grow Market Share Across Globe

New build compatible (NBC) toner and ink cartridges are expected to increase their market share around the world, to the detriment of OEM and remanufactured cartridges. Despite complaints from some quarters that they are less reliable than OEM and many remanufactured cartridges, their exceptionally low-end user unit prices will continue to attract users and some distribution channels.

The situation with NBCs varies by geography. In the United States, for the most part (though not entirely), NBCs are mainly available on the Internet while traditional channels have tended to avoid NBCs and favor OEM and remanufactured cartridges. Keypoint Intelligence observes that this appears to result from both a

concern for quality and a concern regarding intellectual property issues among traditional resellers. Of course, this is variable. HP, Lexmark, Canon, and Epson have fiercely combatted NBCs on patent issues over the years; Keypoint Intelligence believes that this has informed traditional resellers of the risks. On the other hand, as the quality of NBCs has improved over time, one would expect NBCs to spread more into the traditional channels—especially if OEMs are unable to keep up their intellectual property enforcement.

One development that may help keep NBCs out of the traditional channels is Canon's current complaint with the United States International Trade

Commission regarding certain China-made NBC toner cartridges it claims violate Canon patents.

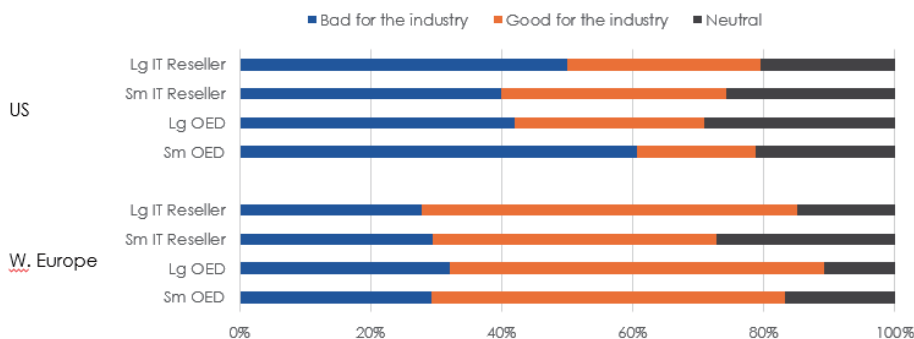
Should Canon win a General Exclusion Order, which it is seeking, this could reinforce traditional channel reluctance to carry NBCs. But if Canon fails, that could provide a new opening for NBCs to spread wider across the traditional channels.

In Western Europe, NBCs have broken out of the Internet and are available in many other channels.

Figure 2 illustrates the widening gap between attitudes toward NBCs among U.S. and Western European resellers.

While more resellers in the United States see NBCs as bad for the industry, the majority of resellers in Europe see them as good for the industry.

Figure 2: Reseller Views on New Build Compatible Cartridges



Source: U.S. Office Channels Survey (Keypoint Intelligence-InfoTrends, 2017)

IN MY VIEW

What advice could you give to the people wanting to deal with China?



USA

Aaron Leon
LD Products

It's 2019 and supply chains are global. What difference does it make if they are Korean, Mexican or Canadian? I've been buying from Chinese companies since 2004 and I found you only get what you pay for. There are three to four grades of suppliers: if you want the lowest price, you will get the lowest quality. If you pay a little more, you can get quality as good as domestic suppliers. The Chinese are generally easy to work with, entrepreneurial and smart business people.



Mexico

Ivan Rosales
Cartridge World North America

I work on a daily basis with Chinese suppliers and partners due to my position as Operations Manager for North America.

Firstly, do not assume it is all clear once you have settled a verbal or written commercial understanding. Repeat over and over the terms and conditions until you have a written agreement signed.

Ask for a list of current customers, and copies of their quality awards, translated by a certified translator, to verify their quality.

Ask for a warranty clause in your agreement in case the products are not what you ordered.

Ask for price reduction and you will obtain quality reduction, so don't go that way!

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While more resellers in the United States see NBCs as bad for the industry, the majority of resellers in Europe see them as good for the industry. It appears that within Europe, NBCs will be increasingly troublesome to both remanufacturers and OEMs; Keypoint Intelligence expects that to become more pronounced.

In other areas of the world, such as the developing economies in Asia and Latin America, NBCs have already largely wiped out remanufacturing at the local level. OEMs have a far smaller market share in those countries; NBCs are the second largest cartridge type. Only very low-cost refill services are able to compete against NBCs on price; refill is actually quite large in many of these countries.

Keypoint Intelligence expects that NBCs will continue to gain market share across the globe. While remanufacturing has so far been most impacted by NBCs, remans provide pricing cover for OEMs. To the extent that remanufacturing

continues to be squeezed out of the equation, OEMs will face a market where the third-party alternative is not priced 30 percent below the OEM price, but rather 70 percent or 80 percent below the OEM price. Overall pricing will eventually have to fall; the retail value of toner and ink cartridges will shrink more quickly than the demand for cartridge units.

OEMs will face a market where the third-party alternative is not priced 30 percent below the OEM price but rather 70 percent or 80 percent below the OEM price.

Because NBCs could have a significant impact on the cartridge market in the traditional

channels, Keypoint Intelligence plans to offer a multiclient study in 2019 aimed at better understanding the current view on NBCs within the traditional distribution channels such as retail, stationers, OE dealers and MPS providers.

OEMs Will Keep Targeting NBCs, Internet for Illegal Supplies Activity

Efforts on the part of OEMs to protect their supplies market from illegal encroachment can take many forms. In the United States and to a degree in

IN MY VIEW

What advice could you give to the people wanting to deal with China?



South Korea

James Hwang
Cooperative

Since the Compatible cartridge business industry relies so heavily upon China, you need to consider how to improve your relationships with suppliers and be a true business partner with each other. Here are three key points from my experience for long-term success

1. develop an intimate understanding and trust about their production systems by building good relationships and by sharing things transparently.

2. don't consider the cheapest-priced products otherwise you will experience big damages and losses;

3. don't claim any poor experiences orally. Keep related evidence like photos and video related to the defective products which reveal the problems and share these with your Chinese supplier to avoid having the same problems again



UK

Dennis Haines
Badger Office Supplies

Doing China business can be difficult, but it can also be very rewarding with its world-class factories producing at a fraction of "normal" prices.

For every fantastic supplier however there is a rogue, looking to make a fast buck. Their talk is cheap, and they will tell you what you want to hear. If something sounds too good to be true, it probably is. I had the personal experiences of visit factory A in the morning, then B in the afternoon, both the same place but completely rebranded. The factory inspection had been completed, but the goods were replaced while I had lunch. In another case, I had fantastic products delivered for six months, then received a container of old shredded newspapers! Caveat Emptor!



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Western Europe, one mainly sees news stories about patent enforcements efforts that take the form of lawsuits. In the United States, lawsuits may proceed in tandem with appeals to the United States International Trade Commission, for either general or limited exclusion orders that direct U.S. Customs authorities to interdict and exclude from entry products that are deemed to violate patents.

In other areas of the world, where patent enforcement may be difficult or next to impossible, one hears more about anti-counterfeiting raids. Interestingly, many of these raids appear to take place in the Middle East and Africa; to an extent they also seem to take place in Asia and Latin America.

OEMs do not have limitless resources to protect their intellectual property around the world. They need to target their limited resources where they think that they will have the greatest impact.

To a large degree, at least for the

United States and Western Europe, Keypoint Intelligence expects OEMs to focus on NBCs, as opposed to remans. It is expected they will target Internet resellers and their suppliers. This is both an attempt to demonstrate that it's policing the Internet as well as send a message to other resellers that NBCs are not safe to sell. In some ways, the second point can be more important than the first.

Policing the Internet may not just be about patents. Keypoint Intelligence believes there remains ongoing issues related to product descriptions, claims, and other matters related to third-party supplies. Frequently, product that claim to be remans appear to be NBCs instead. Products tout various environmental and workplace standard seals that may or may not be real. And commonly, when a customer buys one product based on the description and photographic image at the point of purchase, what arrives is not the same product. The question is:

Are these new areas where OEMs will intervene or are these issues ultimately for the consumer to protest?

Another issue around NBCs relates to potential toxicity of the cartridges. Within Europe, recent news has strongly suggested that some new build cartridges sold in Europe may have excessive levels of decaBDE, a flame-retardant chemical that according to many European countries is toxic (and its use is strongly regulated). And tests conducted by Xerox on Chinese manufactured toner have also revealed worrying levels of styrene, which may have a negative impact on human health.

Because NBCs pose a serious threat not just to OEMs but also remanufacturers, Keypoint Intelligence expects legal enforcement will only strengthen when it comes to OEMs vs. NBCs—even if tactics may change depending on changes in the market or differing geographies. ■

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Tel : +86-755-28573951 Email : julia@szcolorful.com
 Fax : +86-755-29494906 Address : Room 8328,4 floor Wangcheng Building,
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To exhibit, please contact: Victoria Zhao

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5 QUESTIONS

Dealing with China

HYB Toner's President Vincent Chen says building trust is the key

Do you see China taking on a more or less of a significant role in the imaging supplies industry in the future? Why?

Yes. The Chinese products and their manufacturers are definitely getting more important to the imaging supplies aftermarket. There are many different reasons, but in my opinion, some Chinese manufacturers have improved their engineering development and strength. At the same time, of course, we also notice that those who fail to deliver quality products are fading away.

What questions are you asked the most from foreign companies wanting to deal with you as a Chinese company?

Most of our customers don't treat us any differently from other international suppliers. It's true that some have had bad experiences with some Chinese suppliers and became more cautious. From the questions we are asked, I can tell you that the worst experience they suffer from is the stability of the products.

What advice would you give to an international company wanting to deal with any Chinese company?

There are always good and bad business people in every nationality and our customers have suffered serious problems with their suppliers in other countries too. So, we shouldn't "label" companies simply by their nationality. As long as the manufacturers or suppliers are working with a principle that is in line with your standards, then you can get a deeper understanding of these companies, their business styles and how they manage their quality control.

Gradually, you can decide if these companies are trustworthy or not.

How important is it for foreigners, wanting to do business with China, to actually visit China?

From the outset, all buyers should have done some research and had a conversation with the experienced representative of the suppliers. In my experience, our smartest customers have their own "FAQs" which help them to identify if a supplier is worthy or not. E-commerce, however has allowed many businessmen to become lazier in communicating with their suppliers. They are doing less due diligence to discover if suppliers are suitable or not. I think this is the reason why problems are occurring more. It's like the marriage between a boy and girl who only know each other for a week. You can imagine how risky the marriage will be.

Providing consistent quality and non-infringing products are important for your company, yet not all Chinese companies hold the same values. Why?

Many company owners didn't realize the industry potential when they started out in business. They only wanted a piece of market share and were surprised at how quickly this industry developed.

While our initial purpose at HYB

was not to build a company that would sit on top of the industry pyramid, I found our people are not the kind that like losing the trust of our customers. The relationships we have with our customers are mutually beneficial with many customers helping us to further develop our products. With such a huge responsibility, you always try to find every means possible to invest in and improve your quality systems to ensure the consistency of your products. Customers are very demanding in their expectations for trouble-free products. This thinking is reasonable, so we will never stop the development of patents and systems to meet the needs of our customers. ■



Vincent Chen is president of the HK HaoYinBao Group, known better as HYB Toner

5 QUESTIONS

Dealing with China

Ding Li, CTO at Apex Microelectronics invites you on a field trip

Do you see China taking on a more or less of a significant role in the imaging supplies industry in the future? Why?

China must take on a more significant role in the imaging supplies industry in the future. Its huge population and booming economy have caused China to have a more significant role on the world stage. In keeping with this trend, both for homes as well as business, there is a growing demand for the imaging industry too. Chinese enterprise has the advantage of resources and commerce from its huge domestic market. This is all true for Apex which has developed, mass produced and released controller chips for multifunctional laser printers in 2018. Another kind of controller chip is in its validation phase. We expect to continue being more active in meeting both domestic and international demands required by the imaging industry.

What questions are you asked the most from foreign companies wanting to deal with you as a Chinese company?

The speed of releasing new products, patents, and product quality is the biggest issue among our customers. In response, I would like to say Apex has accumulated a significant 18 years of deep understanding about chip technology. Our highly-educated, experienced chip design engineers are able to accelerate the speed to release the new products. At the same time, our well-qualified and experienced IP engineers focus upon patent analysis, risk avoidance, and patented product design. We verify the chips in our Provincial Printer SoC Chips Engineering Center and Provincial Research Center using newly-equipped test and analysis devices, valued at \$7.5 million in 2018. By providing a strong quality system, we can address any concerns customers might have.

What advice would you give to an international company wanting to deal with any Chinese company?

Take a field trip. I welcome any foreign friend to visit and explore the full process of chip

development and the breakthroughs we made in technology innovation. Visitors tell us their on-site visits to Apex opens their eyes to the level of commitment in terms of research, development, manufacturing and quality control. I believe such a real, face-to-face communication will make us strong partners.

How important is it for foreigners, wanting to do business with China, to actually visit China?

There is an old Chinese saying, "To see one time is better than to hear a hundred times." For foreigners who want to do business with China, it is not enough to simply contact a company online. There is only one way to experience Chinese culture and advances in technology. You must visit and travel on China's high-speed trains, climb the Great Wall and visit Apex's experimental and testing centers, and automated production lines. I urge visitors to use Apex's 3D X-ray analysis equipment to take a stereogram of chips. I believe the impression formed by foreign friends will have a deep impact upon them and they will be encouraged to do business with Chinese companies.

Providing consistent quality and non-infringing products are important for your company, yet not all Chinese companies hold the same values. Why?

Most Chinese companies hold such values about providing consistent quality and non-infringing products. Having values is easy, however, but it is hard to realize. We have gained our current market position because we have focused on intellectual property rights and technical competence. This includes encryption analysis, chip design, product testing and patent analysis technologies. This is why Apex can design non-infringing patented products with high quality and firmware resistance. Those Chinese companies that cannot realize the above values are limited in technology or patent knowledge. As an industry leader, Apex is willing to work with more Chinese companies to achieve common development and to provide clients with design-consistent quality and non-infringing products. ■



Ding Li is Chief Technology Officer (CTO) at Apex Microelectronics Co., Ltd

The Search for Consistent Quality

Cartridge World's Mark Pinner share his experiences in dealing with the Chinese

I can confidently say that historically, we have worked with pretty much every ink & toner vendor in the world. Our quest was always to find vendors that could provide our franchise network with high-quality, reliable, cost-effective, and IP-safe products—with most of our activity focused on China.

I don't mind admitting that there were disastrous encounters, but in the end, it was an invaluable learning process that exposed us to the good, the bad, and the ugly.

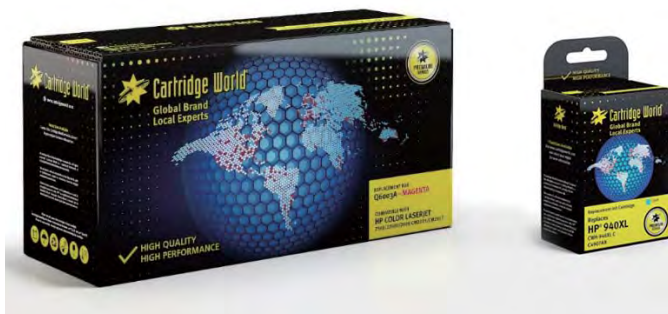
Cartridge World has always searched for a fair price and consistent-quality with IP indemnification from the parts. Consistency was the continual hurdle in our adventures.

To illustrate our challenges, here is a typical scenario with a vendor. It started when requesting a TN450 sample for testing:

- testing would identify that the product did not meet specification.
- The vendor would reply: "No problem, we will send another sample."
- The second sample would show an improvement but not to specification.
- The vendor would reply: "No problem we will send another sample."
- The third sample would show further improvement and meet specification.

With this third sampling, we thought we had landed that Holy Grail vendor and product. It wasn't a happy ending...

However, as each sample improved in print quality with different, higher-quality components it also eroded the supplier's margin. Ten containers later we finally had a relationship we had hoped for with a supplier delivering the expected quality consistency.



Guess what happened next?

Someone changed the formulas. The quality suddenly took a nosedive, and the relationship with the vendor went sour because they chose to risk the relationship and business volume by changing our approved build model components with cheaper ones to increase their margin per cartridge.

In 2012, we thought we had the solution. After evaluating and approving a product-build, we would bring all containers into a facility in North America and test all cartridges before they were packed into Cartridge World branded packaging for our franchise owners.

The theory was great and the outcome for our franchise owners should have been perfect: high-quality, fair-priced, and IP-indemnified cartridges. Goodbye bad and ugly; hello good.

The plan was an unmitigated disaster. On average, we rejected 22 percent of product due to poor print (and sometimes as high as 80 percent). We had massive, debilitating stockouts and increased processing costs for the test center.

On yet another occasion, we became so confident with a couple of vendors that we had the cartridges molded in the corporate

Cartridge World blue and yellow—only to have 100 percent of the first testing container fail.

Thankfully, everything changed in 2016 when Dr. Richard Yu of Suzhou Golden Green Technologies set up the Cartridge World Global Procurement Center (CW-GPC) in the epicenter of the aftermarket manufacturers in Zhuhai, China. Staffed with industry-leading technical, procurement, and quality management individuals, our GPC procurement team—armed with local knowledge—began sourcing

products from local vendors using our own build-specific component specifications.

Today, our GPC quality team carries out what we call our "triple" quality check where:

- quality teams check products during production and after production;
- further sampling is carried out once the order has been completed and is only released to our Zhuhai-based GPC warehouse once when the shipment passes testing;
- A third sampling is carried out once the order arrives at the GPC and products that pass are Cartridge World branded and packaged for containers and shipped across the world to our distribution partners.

Since the China-based GPC started providing our network with ink and toner cartridges, our franchise owners have enjoyed a very low 1.72 percent average failure rate, and that is definitely good. ■




Mark Pinner

Chief Executive Officer of North America & Global Chief Technology Officer

We are looking for area developers, re-sellers, and master franchisees across the world to sell Cartridge World products and services. If you are interested in joining our new franchise concept and global brand, as well as having access to our Premium Series triple checked cartridges, contact us today.

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How to choose a Latino distributor

(and not die in the attempt)

— Gustavo Molinatti

The aftermarket in Latin America is undergoing a consolidation process, especially in the more mature countries such as Brazil, Mexico, Colombia and Argentina. We are seeing less rotation of large distributors, many of which were active in the market a decade or more ago.

This consolidation is even more evident in large urban centers as vendors seek an increase in profitability and in turnover thanks to the new price war brought on by the new built cartridges and supplies from China.

The truth is that the aftermarket's share of the supplies market has not significantly increased its share over the originals. The cake is being divided into the same sized proportions. Customers simply rotate between the different distributors according to who can best respond to their economic, quality or time needs.

Does that mean all is said and done?

Certainly not. There are still great opportunities in Latin America. It may not be the industry's golden era but there are still healthy options to explore new business opportunities.

In this scenario, it is not easy to seek strategic alliances or new distribution channels. Ignorance, geographical and cultural distances, uncertainty about payment compliance, respect and promotion of the brand, are several of the many unknowns. Is the best candidate the one who has the biggest or the most luxurious car?

How to design a good partnership

An alliance is not only commercial: it also implies a personal relationship. Not every candidate is the right one, even if they promise a rain shower of containers.

As a first step, it is necessary for the Chinese manufacturers to:

- look for a competent seller, who

can interpret the local conditions to sell your product;

- get information about the reputation of the potential distributor;
- know the other products a seller represents, which will speak a lot for themselves;
- ensure there are no conflicts with the products you sell;
- establish an agreement detailing responsibility regarding prices, advertising and promotion, market research, storage and distribution;
- consider financial solvency of the potential distributor; and
- know the market share for each product category and how the products will be treated within the overall portfolio.

Exclusive or authorized distributor?

Those Chinese companies looking for a distributor of their own brand, face the unknown of defining the degree



of exclusivity that the distributor will provide. Will the distributor be exclusive and be given the official authorization?

I recommend the first, renewable agreement should have term no longer than 12 months. This allows both parties to learn more about each other and to define the business model.

Where is the Cheese?

The Latin consumables market tends to be more healthy in those cities that are removed from the larger centers. The volumes are still attractive but the price war is not so intense and the distributor can be more trustworthy. The cities of the interior also need reliable suppliers that can provide commercial and technical support. They are aware that their location forces them to pay higher prices. It is quite a complex task for any local entrepreneur to develop an efficient network of

commercial agreements, which implies an investment in logistics, travel and time. This is a key aspect that should be evaluated before making an agreement.

Local logistics

The global market tends to have, erroneously, a homogeneous outlook on Latin America. Just because most countries have Spanish as their national language does not mean they have the same character. To think that is naive and could be a recipe for disaster. Each country has its own specific political, economic and cultural characteristics.

Take note China: there is no silver bullet for this industry that allows a single distributor to reach the entire region. The few distributors that have been successful in developing sales logistics in several Latin countries have always achieved this through agreements with local companies and not through direct sales. Beware of

anyone who offers to cover multiple countries within the continent without a local base in each of them.

A commercial and technological partner

Whatever the product or service offered (toners, inks, parts, finished goods), you should not lose sight of the technical nature of the sale. It is necessary for both companies to develop together technologically if commercial development is to be achieved. It is essential that all personnel be suitably trained and well-versed in all the products and their characteristics. ■

*Gustavo Molinatti holds a degree in architecture from the University of Buenos Aires, Argentina. As publisher of *Guía del Reciclador*—a Spanish language trade magazine first published in 2002 for the Latin American printer cartridge aftermarket—he has organized more than 20 technical and MPS training events in several countries including Brazil, Argentina, Colombia, Venezuela, Chile & Perú. For more information please contact info@guiadelreciclador.com or visit www.blogdelreciclador.com*



Steve Weedon

Ostriches: Pull Your Head Out

See what is really going on.

“Some of us are busy and some of us are busy complaining.” This quote from Debasish Mridha aptly sums up the state of the consumables industry at this point in time.

Valid complaints are all well and good, a distraction from the main business of the day perhaps, but when valid, complaining in the correct way can achieve results that produce a benefit. If an OEM genuinely believes that its Intellectual Property Rights are being infringed then making formal complaints, suing the suspected offender, does often lead to a settlement that rights the wrongs.

All too often, however, threats and law suits are driven by an emotional red mist in front of the offended party's eyes. No matter the truth, the facts or indeed how little evidence was accumulated, such blind rage demands action.

Strike first and ask questions later.

It is a common tactic seen as delivering only an upside. The damage is already done against the accused as soon as the first publication sniffs out the juicy morsel and plasters it across their “breaking online news” column. Customers become fearful and wander off to find other, lower profile suppliers. Of course, that is why the tactic works and is favored by OEMs particularly with chip complaints. Eventually, technical expert opinions take precedence, the red mist evaporates, logic and common sense prevail, and in many cases the OEM looks for a deal to walk backwards without getting a public red face. It's called a “voluntary dismissal”.

Now, we have all sorts of groups using similar tactics. That red mist is everywhere. It is caused by fear: fear of



changes that are happening in our industry and its knock-on effect to the traditional way of business. Run away and hope “China” does not affect your business or run towards “China” and see what it can do for you. I recommend the latter. But a third option taken by many, would be to bury your head in the sand like an ostrich. The ostrich approach is simple enough. Find other ostriches, group together and complain as loudly as possible, without all the facts or worse, knowingly create fake news.

“Remanufacturing is the only option for the future. Everything from China is bad quality, cheap and infringing.” “Chinese manufacturers use toxic materials. Chinese manufacturers all fail DecaBDE safe EU levels.” These chants are on the basis that if one is doing it, then they are all doing the same. What nonsense!

The ostriches flock together, red mist in front of the entire herd and because it suits their argument, they band ALL Chinese firms together and label them ALL as bad, toxic producing, low quality, IP infringers who do not comply to EU or USA rules.

If they argued “a few Chinese manufacturers are world class, high quality producers who have their own Intellectual

Property portfolios and have invested mega millions for many years into IP and are good companies, BUT all the rest are scumbags” their complaints would fall on deaf ears.

One US publisher knows no bounds and is completely anti-China, since the propaganda supports the ostrich herd. Actually, it weakens their arguments even more.

I understand the red mist, losing sales and cartridge volumes to online stores

fed by Chinese NBC manufacturers who disregard IP and sell only on a lowest price strategy. It's bad for everyone. The OEMs need to make the formal complaints and sue them if they have cause to do so. The nonsensical white papers, articles and speeches churned out by the ostrich herd continue to tar and feather all Chinese manufacturers alike. Their transparent propaganda and invalid complaints try to render all new built cartridges as being illegitimate. It is a false, weak argument, yet it will never stop the legitimate Chinese manufacturers.

As Shakespeare put it, “the lady doth protest too much, methinks.”

Ostriches, lift your heads and see what is really going on. Patent Safe Compatibles (PSC's) are legitimate, have better quality and provide greater profits! ■

Steve is an award winning CEO who has held senior management positions at various OEMs as well as Katun Corp and SCC. He was the original founder of The Recycler Magazine and of trade shows in Europe. He also established Static Control's Worldwide Subsidiaries and relocated to the US to become executive vice president. Steve headed up the global Cartridge World network after it was acquired in 2016.
 <steveweedon@utec.com.mo>

David Gibbons



A Misplaced Australian in China

A good friend and highly-respected authority recently introduced me at an international forum we were attending. He was trying to best describe how, and why, I left my Australian homeland eight years ago to settle in the global heartland of the printing supplies industry in Zhuhai, China.

The move was a daunting one, and he, among many others, wondered how I would cross the cultural divide. And if I would stay. Like many, I was convinced by propaganda that the Chinese led the world in human rights abuse, that it was dictatorial, and the 1.415 billion people living here have no freedom and are incredibly poor.

Not true. I had to learn quickly that many lies have been told about China in the past. And still are being told.

People here are wealthier than they were eight years ago when I first arrived. The middle class now numbers 400 million—more than the entire population of the U.S.—and many drive the latest model BMWs, Mercedes, Audis and Teslas. General Motors sold 175,489 Cadillac-brand cars last year in China, making China surpass the U. S. as the premium brand's largest market worldwide. China is the biggest global market for three major U.S. automakers. In 2017, Buick sold 1,229,804 cars in China, Ford sold 951,396 and Chevrolet sold 538,671—all manufactured in China with profits going back to the U.S.

Similarly, U.S.-based Boeing predicts that Chinese airlines combined will buy 7,690 new planes worth \$1.2 trillion over the next two decades. That will further



boost the U.S. economy unless the “trade war” sends the Chinese off to Airbus instead.

Sure, like anywhere else in the world, the poor are never far away from you. However, here in China, the cultural expectation is not to beg, but to find a task to earn some money. Many find themselves a cart and collect recyclable paper, cardboard, plastics and metals. Many have a smart phone in hand as they tow their over-sized loads.

The Chinese have immense respect and pride for their leader Xi Jinping. They would rather have him than many other choices of leader offered by western democracies. Government is viewed like the grandfather sitting at the family Sunday table who is revered and respected because he has the best interests of the family at heart. Sure, China is tough on gambling (casinos are banned in mainland China), pornography, drugs, guns and crime.

Militarily, it's important to note the U.S. has not won any wars or military interventions since World War II. Instead it has suffered major defeats or created messes that it struggles to get out while spending trillions of dollars (mostly added to its national debt). China, conversely has

invested those trillions into building infrastructure, the fastest trains in the world, landing a probe on the dark side of the moon and building better cities.

Do you remember where you were at the time of the Tiananmen Square protests in 1989? I do. And I remember how we collectively accused China of abusing human rights.

Yet more Americans have died from gun violence in the last 50

years than in all of the wars in American history. Since 1968, more than 1.5 million Americans have died in gun-related incidents, according to data from the U.S. Center for Disease Control and Prevention. 40,000 last year alone. Amnesty International is addressing it as the human rights crisis it is. Yet Americans refuse to give up their guns.

I can walk the streets at night in many large Chinese cities with no fear at all.

Inventiveness and diligence are in the very DNA of the Chinese. They will find a work-around solution to meet your manufacturing needs. They will cut corners and find quicker, cheaper ways to fulfil your requests. You do, like anywhere else, have to manage this and apply all due diligence if you want ongoing satisfaction. We should not reject China for all the preconceived opinions we may still hold.

It will probably be ten years before I venture back home to Australia permanently, so why do I stay? Because of the opportunities China presents. It is a place where an inventor's dream can be easily realized. And made profitable. There may be opportunities here that can earn you money and help make your dreams come true too. ■

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Tricia Judge



Working Towards a Better Future Together

The greatest benefit of being a member in an association is the networking and camaraderie that goes on among members.

Much was said last month about industry associations in these pages. However, the folks in the International Imaging Technology Council (Int'l ITC) were still talking after deadline. I thought it important to share their thoughts.

Some business owners might say their schedule is demanding enough, thank you very much, and the thought of adding one more commitment to their busy calendar is unbearable. Then there is the added expense, which, while nominal, may prove a burden at a particular moment in time. So why should they try to cram time into their already-hecked schedules to join an industry association or other professional organization?

Because membership in an industry association offers numerous benefits and will keep business owners on top of important, ever-changing issues, trends and legislation within their marketplace. Many professionals, however, believe the greatest benefit of being a member in an association is the networking and camaraderie that goes on among members.

Some Int'l ITC members have maintained their membership for decades, and others have gone even further and been board members for the same period. Last month, I wrote about the reasons for membership. As its executive director, I am in touch with the information and issues that flow through here daily, so my enthusiasm is understandable.

That's why I am turning the column over to some of my members this month:

"Being a small company, it's important to me to be part of an association. It helps me make sure I am aware of industry trends. The trade shows are great, but they tend to focus on the bigger dealers. I go to them to



meet friends and new contacts and hopefully learn and share some ideas. I feel that I make a difference and the association helps validate that. Looking forward to working with the Int'l ITC and a prosperous 2019 for everyone!"

—Jim Vitiello, President, CEO, Datasource, Ink, Illinois, USA



"We belong because of the certification and initial training. We see some bids now that require that. We also belong because we feel it's good for the industry to standardize as much as possible and because of all the work you do and your association does to help protect our rights and keep us informed about what's going on in the industry."

—Kirk Peck, LaserCycle USA, Louisville, USA



Here are thoughts from founding members:

"Static Control is proud to be a member of the inner circle of the Int'l ITC. Static Control has long understood the importance of bringing the industry together to help tackle the issues that remanufacturers face around the globe. As a united group, we can work together to increase the recognition of remanufactured goods from government

agencies and private businesses, along with continuing to build the reputation of high quality thanks to STMC-certified cartridges."

—Erwin Pijpers, Senior Vice President, Static Control Components, North Carolina, USA



"At the end of the day, if you are not willing to support your own industry, who is? The Int'l ITC is the voice for all legitimate cartridge remanufacturers around the world."

—Jeff Bendix, President/CEO, Bendix Imaging, South Dakota, USA



I hope you are inspired to spend some time with industry friends (or competitors), all to help the marketplace better. No matter where you reside, the Standardized Test Method (STMC) Committee, ASTM F05 Business Imaging Products and your regional trade association are looking for members. I promise you'll get more out of it than you put in. ■

Judge has served as the executive director of the International Imaging Technology Council, a not-for-profit trade association serving imaging supplies remanufacturers and dealers, for 17 years. Judge was the executive editor of Recharger magazine. A lawyer for 30 years, Judge also has litigation experience. Judge's work has been published in Recharger magazine, and several other industry magazines, and has won critical acclaim for her writing and industry advocacy. She has assisted in the preparation of six friend-of-the-court briefs. Judge has presented the position of the industry to the International Trade Commission. She can be contacted by email at tricia@i-itic.org



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DID YOU KNOW?



Out of the total number of toner cartridges exported by Chinese manufacturers in 2017, Ninestar captured a 10.2 percent share, up 1.2 percent on 2016.

According to Ninestar's (stock code: 002180) report to Shenzhen Stock Exchange, notice number: 2017-084

TECH-ZONE

Remanufacturing the Ricoh MP C406, MP C 5502 and Toshiba e-Studio 2040C Toner cartridges



RT's Cartridge Library



IMAGING SHARE PRICES

(As at 5, March, 2019)					
OEM	Prices		Aftermarket	Prices	
	Last Month	This Month		Last Month	This Month
Brother Industry (Yen) (6448:Tokyo)	1697	2072	Ninestar (RMB) (002180:Shenzhen)	25.15	26.53
Canon Inc. (US\$) (7751:NY)	30.26	28.38	Hubei Dinglong (RMB) (300054:Shenzhen)	6.38	9.39
Seiko Epson (Yen) (6724:TYO)	1606	1641	Suzhou SGT (RMB) (002808:Shenzhen)	12.63	14.38
HP Inc. (US\$) (NYSE: HPQ)	21.21	19.53	(Sources: Google Finance and bloomberg.com)		

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Katun E.D.C	50
NanJing Teshine Imaging Technologies Co., Ltd	5
Ninestar Tech Imaging Limited	1
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Sunwise Information	50
Toko	50
UniNet	14
Zhuhai Appro Office Supplies Co., Ltd	10
Zhuhai EVE Digital Technology Ltd	50
Zhono	8

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www.RTMworld.com



RT Imaging Expo—Americas 2019
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Jun. 13-14, 2019, Bogota, Colombia
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RemaxWorld Summit 2019
Oct. 16, 2019, Zhuhai, China
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RemaxWorld Expo 2019
Oct. 17-19, 2019, Zhuhai, China
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USPS ID STATEMENT

Imaging World, ISSN 2050-6449, is published quarterly by *RT Media Co., Ltd* (Office 2302, Building 2, V12 Creative Park, No. 32 Nanwan North Road, Zhuhai, China). The US annual subscription price is US\$55. Airfreight and mailing in the USA by agent named WN Shipping USA, 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA.

Periodicals postage paid at Jamaica NY 11431.

US Postmaster: Send address changes to RT Media Co., Ltd, WN Shipping USA, 156-15, 146th Avenue, 2nd Floor, Jamaica, NY 11434, USA

Subscription records are maintained at *RT Media Co., Ltd* (Office 2302, Building 2, V12 Creative Park, No. 32 Nanwan North Road, Zhuhai, 519000, China).

Air Business Ltd is acting as our mailing agent.



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