



# ImagingWorld

The Most Trusted Name in Print in 5 Languages

# Thousands of Buyers

—Look for long-term relationships in Zhuhai



RemaxWorld Expo  
LiftOut Special



# Conflict and Cooperation

## — Highlights at the RemaxWorld Summit

Merritt R. Blakeslee  
The Blakeslee Law Firm, Washington DC, USA

RECENTLY, I had the pleasure of attending and participating in the *RemaxWorld Summit*, which was held in Zhuhai, China on October 17<sup>th</sup> in advance of the 12<sup>th</sup> *RemaxWorld Expo*. The Summit provided a rich smorgasbord of presentations and discussions on highly topical issues for the consumables aftermarket. I will not attempt a summary of the entire Summit but will instead discuss those topics that were of greatest interest to me as a U.S. lawyer who represents Chinese producers, U.S. importer/resellers, and U.S. remanufacturers in our industry on both intellectual property and Customs issues.

From my point of view, the highlights of the Summit were:

- 1.the message of cooperation from the president of the Imaging Supplies Coalition,
- 2.Maggie Tan's revelation that print volumes in Asia are poised to surpass those in North America,
- 3.the discussion of the new U.S. tariffs on imports from China and the trade war between the two, and
- 4.the lively debate on whether new-built cartridges or remans should become the preferred aftermarket business model.

### **Message from the president of the Imaging Supplies Coalition**

Allen Westerfield, president of the Imaging Supplies Coalition's address, titled "Infringing and Counterfeit Imaging Supplies – Let's Eliminate Them," marked a notable advance in relations between the OEMs and the aftermarket. Westerfield, whose Coalition is comprised of OEMs, extended



Allen Westerfield



Farid Ahmed Vawad



Maggie Tan



Zoltan Matyas



Guilin Xiao



Christian

an invitation to the aftermarket to cooperate in the fight against illegal products. His invitation represents an acknowledgment by his industry group that the vast majority of aftermarket producers are manufacturing legitimate products that compete fairly with the OEMs for market share and, further, that infringing and counterfeit products harm legitimate aftermarket producers as much as they harm the OEMs.

#### Changes in Market Leadership

Equally notable was the news delivered by Maggie Tan, Associate Vice President, Imaging, Printing & Document Solution, IDC Asia/Pacific. Tan informed the Summit that by 2020 print volumes in Asia, which continue to rise, will surpass those in North America, which have been trending downwards for several years. She noted that this growth in Asia is primarily driven by China. In the mature Asian markets – Australia, Hong Kong, Singapore, and Korea – print volumes are dropping as they are in North America.

#### Section 301 tariffs

Merritt Blakeslee described the tariffs

recently imposed by the United States on imports from China, particularly imports of imaging consumables. Last July, the U.S. Administration fired the first salvo in a trade war with China intended to reduce the U.S.'s trade deficit and to put an end to China's alleged theft of U.S. intellectual property. Between July and September, the United States imposed tariffs of 25% and 10% on \$250 billion in Chinese imports ("Section 301 tariffs"). China responded with retaliatory tariffs on \$110 billion of U.S.

imports.

The end this clash is nowhere in sight, and the U.S. has threatened to impose tariffs on a further \$267 billion, which would cover all China imports not presently subject to Section 301 tariffs.

The Section 301 tariffs cover ink and toner cartridges in a piecemeal fashion. Generally speaking, the following are subject





Manuel Balta Kruger



Steve Weedon



Volker Kappius



Pepper



Merritt R. Blakeslee



Tricia Judge

to the tariffs:

- Finished ink and toner cartridges for use only in printers (HTS 8443.99.20);
- Finished ink and toner cartridges and components for use only in fax machines (HTS 8443.99.30 & 35);
- Finished ink and toner cartridges and components for use only in copying machines (HTS 8443.99.40 & 45); and
- Circuit boards and chips for use in ink and toner cartridges (HTS 8542.31.00.01).

Generally speaking, the following are not subject to the Section 301 tariffs:

- Finished ink and toner cartridges and components that can be used in 3-in-1 multifunction machines (HTS 8443.99.50); and
- Components for ink and toner cartridges for use only in printers (HTS 8443.99.25).

The United States has instituted a process by which U.S. companies adversely affected by the Section 301 tariffs can apply for an exclusion for their products. Thousands of such exclusion requests have been filed already, including 17 filed by HP, but it is too early to know how many of these exclusion requests will be granted.

#### New-built vs. remans

The culmination of the Summit was the formal debate, televised for live broadcast via FaceBook, among six panelists who were asked to argue for or against this proposition: "New-Built Cartridges Should Become the Preferred Aftermarket Business Model."

Christian Pepper, president of the Channel Partner Division of LD Products, and Steve

Weedon, Director and Corporate Strategist of the Print-Rite Group, argued in favor of new-buils. Pepper argued that the changes in the market share, revenue, and profit performance of





the major aftermarket companies – where remanufacturers have lost ground relative to new-built producers – demonstrate that new-built cartridges have already become the preferred aftermarket model. According to Pepper, the financial performance of the new-built producers is driven by their products' appeal to the two key criteria for purchasers: quality and price. As to price, Pepper pointed out that while new-built producers face higher capital investment requirements, their subsequent costs of producing cartridges from scratch are lower by 30-40% than the remanufacturers' costs of collecting, sorting, disassembling, cleaning, and reassembling remanufactured cartridges. While conceding that remans still hold more market share than new builds, he argued that the quality of new builds is acceptable. For those who buy new builds, the lower cost outweighs any quality differences. He also argued that customers find it easy to ignore higher legal risks because most new-built manufacturers

indemnify their customers against such risks.

Weedon stressed the sophistication that Print-Rite and other leading aftermarket manufacturers now bring to the challenge of producing high-quality new-built cartridges that are carefully designed to avoid infringing the OEMs' patents.

Zoltan Matyas, Business Development Manager of WTA Carsten Weser GmbH; Volker Kappius, COO of Delacamp; Merritt Blakeslee, principal of the Blakeslee Law Firm in Washington, D.C.; and Tricia Judge, the Executive Director of the International Imaging Technology Council, all argued in favor of remanufacturing. Matyas, Kappius, and Judge spoke eloquently of the environmental imperatives that demand the recycling of aftermarket consumables. According to Blakeslee and Judge, remans present fewer legal risks than new builds, a significant advantage, particularly in light of the recent Canon litigation at the U.S. International Trade Commission. Judge

argued that the reduction in the number of remanufacturers results not from customers' preference for new builds but from normal industry consolidation. She also contended that for many customers the higher quality and lower legal risks of remans is determinative in their decision to purchase these products. ■

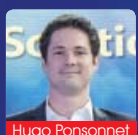
SCAN THE QR CODE AND  
WATCH THE DEBATE





Following thousands of nominations from across the globe, an independent panel of 14 judges from eight countries has seen 10 awards presented to eleven individuals and organizations for their achievements.

### The official winners are:



**Customer Choice Award:**  
LMI Solutions (USA)



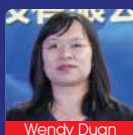
**Anti-Counterfeiting Award:**  
Imaging Supplies Coalition (USA)



**E-commerce Leadership Award:**  
LD Products (USA)



**Industry Breakthrough Award:**  
Hangzhou Chipjet Technology Company (China)



**Excellent Service Award:**  
Zhuhai Mito Color Imaging Company (China)



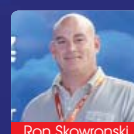
**Global Brand Award:**  
Apex Microelectronics Company (China)



**Outstanding Marketing Campaign:**  
Union Technology International (M.C.O.) Co. Ltd (China)



**Quality Leader Award:**  
Clover Imaging Group (USA)



**Quality Leader Award:**  
Clover Imaging Group (USA)



**Quality Leader Award:**  
UniNet Imaging (USA)



**Diamond Pioneer Award:**  
William "Skip" London (USA)



**Technology Innovation Award:**  
Ninestar Corporation (China)

In addition, for the first time, seven companies were given "Highly Commended" citations by the judges this year. These included are:



Cartridge World (Australia),  
Static Control (USA),  
Integral GmbH (Germany),  
Dongguan Sino Imaging Technology Co. (China),  
Zhuhai Jingtong Printing Consumables Company (China),  
Zhongshan Tiantong Printer Consumables Company (China),  
and Metrofuser (USA)

A photograph of two men in a trade show setting. The man on the left is seen from the side, wearing a pink and white striped shirt and glasses. The man on the right is facing him, smiling, wearing a white shirt, dark trousers, and an orange lanyard with a badge. He is holding a blue suitcase handle. The background is a blurred trade show floor with other people and blue exhibition structures.

# Our 2-in-1 Industry

## and My Brain-to-Brain Entertainment

—Notes and Thoughts from RemaxWorld Expo China

Zoltan Matyas



I REMEMBER when *RT Media* director, David Gibbons, invited me to participate in a debate over reman vs new-build cartridges he was planning to be held in Zhuhai, China. We were standing on the floor of the expo in Cairo, Egypt in April and I said: “Sure, David. That sounds like fun, and you know me: I always like a challenge.”

I immediately knew this debate was going to be held the right place at the right time. I’ve been part of the imaging supplies Aftermarket for almost 15 years and I have been fascinated to watch this industry mature and transform itself during this time.

I saw the global remanufacturing industry grow out of its infancy between 2004 and 2009. I witnessed the quick and intense consolidation between 2009 and 2015 with exciting mergers and acquisitions and sad business exits. I also noted how the industry has divided into two fundamentally different industries in the last three to four years.

Yes, we are in a strange 2-in-1 industry



and the Summit debate at *RemaxWorld Expo* proved my point.

The imaging supplies Aftermarket has finally reached a point where the cards are all on the table. We see two completely different and well-distinguished market approaches: one with the reuse-reduce-recycle approach and another one with a high-tech, smart-manufacturing approach.

The ensuing debate made this clear for everybody present physically in the Zhuhai Conference Centre as well as for those watching live or later on-line on Facebook and Vimeo platforms.

If you have not watched the debate, I encourage you to do it (<https://vimeo.com/296145146>) so you can see and hear for yourself how those representing the two industries argue their differences with each other.

I watched it again a couple of times and to be perfectly honest the two approaches are fundamentally different. Both have

unique messages meant to resonate with two different audiences. Yes a real 2-in-1 situation.

Which one will prevail? It depends. The market is the market and it will always be the customer who will decide in the end.

What do I think? Well... I keep hearing from marketing experts that finding your niche and communicating your differentiating values efficiently is the key to success. That is why I strongly believe in the long-term success of remanufactured and environmentally-sound products. The remanufactured imaging supplies market will grow if it finds a way to make people care. The key is delivering the right green message to the right people.

The arguments in the Summit spilled over to the floor of the expo. The discussion, the beautiful exhibits revealed that a consolidated remanufacturing industry and a still growing new build are not necessarily overlapping. It's being clarified constantly by both sides. Sure, there are those who are intentionally

mixing "apples with pears"—but that is the subject for another story and another article. They will end up being the losers very quickly.

Both industries are in different phases of their respective market developments and are facing different issues. They may sell similar products to similar users but have fundamentally different values, different arguments, differentiators and USPs (unique sales propositions). Who uses them best with the right audience will make or break the deal.

For me, "the reman sales man", the Summit was the main event and although I'm an avid tradeshow freak, visiting the expo was more of a "learning and observing the competition" experience for me.

I always enjoy business conversations on the show floor next to the booth. As I have always said, "Face-to-face conversation is brain-to-brain entertainment." I can confidently say the *RemaxWorld Expo* and Summit had me well entertained this year. ■



SEE YOU IN 2019



# Apex Leaders



# Quizzed



ORGANIZERS AND presenters alike were amazed at the huge turnout of participants at the free seminars and workshops that were run during *RemaxWorld Expo* in Zhuhai, China in October.

Those attending told *RT Media*, the organizer, they are “hungry” for critical industry updates, new products and ideas to grow their businesses in the more than 100 countries that attended.

Organizers were delighted by the willingness of exhibitors to provide content as an added-value experience for exhibitors and visitors alike.

“We had no idea they would be so well attended,” *RT Media*’s director David Gibbons said. The number of seats available proved to be quite inadequate for the many hundreds that packed in.”

According to *RT Media* staff, the “eager eyes and attentive ears” of the participants reflected the deep desire to form long-term relationships with suppliers, rather than simply shopping on price.

Twelve domestic and international presenters covered topics including cartridges patents, RST technologies in the toner industry, marketing and promotion insights, and new products introductions. Among them, US-based industry expert Graham Galliford



Jason Wang

Evan Wang

Ding Li

talked about controlling parameters in an MPS business with integration into regular business administration. John McCracken introduced CET's production strength in manufacturing components and supplies for both the copier and laser printing industries.

Leaders at Apex Microelectronics Co., Ltd sensed the need of the industry to have the tough questions answered and were willing sponsors of the seminars and workshops over three days.

The company ran its own seminar as well—a live Q&A session with Apex's CEO Jason Wang, CTO Ding Li, and VP Evan Wang fielding some tough questions from participants in the USA, Korea, China as well as central and western Europe.

The first-ever live talk also attracted a big crowd, with many again unable to find a seat.

### Trade Wars

RT Media's David Gibbons expressed his concern on the impact of the current

Sino-US trade war upon integrated circuits and special equipment.

CEO, *Jason Wang* responded: "Government policies have far-reaching implications for corporate and individual activities. Microchip technologies are a relatively sensitive issue in the Sino-US trade war that is of particular interest and concern to the printer cartridge and consumables industry. Since its establishment in 2004, Apex has accumulated, researched and developed mature printing consumable chip technology and a rich industry experience through more than 10 years of relentless effort. For the time being, the Sino-US trade war has had a limited impact on the consumables industry, but if there is an escalation in trade activity the future may not be so optimistic. Apex has sufficient confidence it can respond to any such increase in the trade war. Apex will continue to support its customers and guarantee supply for the entire global industry."

When asked the development trend of

the printer consumables market and how should the laser consumable factories respond to the fierce international environment, Wang responded: "Everyone knows Moore's Law, which means the number of transistors in a dense integrated circuit doubles about every two years, so there will be technical upgrades in the entire industry. Enterprises in the industry also face the situation that if they do not improve, they will regress and be surpassed by their competitors. For more than a decade, Apex has maintained a high sense of the crisis."

"As the CEO of Apex," Wang added, "I always feel like walking on thin ice. I have shared these words with industry friends. At first, everyone didn't believe it. As time passed by, the risks brought by the upgrade of chip technology are obvious to everyone."

"In the future, Apex will continue to maintain its technical leadership in printing consumable chips, and will also increase investment in the



Victor Matache

Tricia Judge

James Hwang

Internet of Things and open up new businesses. After more than three years of exploration, Apex has already achieved some stage results in the field of Internet of Things. We have also found that combining the development of the Internet with printing consumables technology will promote the development of the printing consumables industry.”

### Killer Chips

Apex’s panel of leaders was asked if the OEMs have access to “killer” chip technologies.

“Is it possible OEMs can develop technology lock out any use of third party supplies? If so, what is Apex doing to work around such issues?”

CTO Ding Li responded: “Technology interference has always existed in the field of printer consumable chips. There continues to be increased difficulties in R&D of printer consumable chips. At the same time, Apex’s R&D team also grows stronger thanks to the demand

of the Aftermarket to deliver work around and non-infringing solutions. Currently Apex has four established R&D platforms in Zhuhai, Shanghai, Hangzhou and the United States. It is also working closely with China’s top universities and research institutes, jointly forming associated laboratories and actively participating in national science and technology projects and research activities.”

Ding added, “Apex has an overall layout for printer consumable chips in hardware, firmware, patents, and encryption algorithms. In terms of the firmware upgrade, Apex assumes possible problems at the beginning of the chip design and avoids replacement chips that cannot be used due to firmware upgrades.”

The executive director of the International Imaging Technology Council (I-ITC), Tricia Judge, raised a sharp question:

Why is the price of chips increasing? Is it to discourage the Aftermarket

away from remanufacturing and make the new-built finished products more attractive?

VP *Evan Wang* responded: “Generally speaking, new compatible toner cartridges are being sold for just 20 percent of the cost of an OEM toner cartridge price. The pricing is severely undervalued. The pricing of chips is relative and not directed at recycling or remanufacturing factories. There is still room for adjustment for the pricing of printer consumables, regardless of whether they be recycled or compatible (new-built) cartridges. However, the chip price has continued to grow since there are advanced chip technologies, product upgrades, and rising R&D costs.”

Apex took advantage of the large crowd that assembled to have long-term partners James Hwang from IPS Corporation, South Korea, and Victor Matache, CEO of TOKO, Romania share their success stories with Apex. ■



# REMAXWORLD EXPO



## SEE YOU IN 2019!



OCTOBER 17-19, 2019 | ZHUHAI • CHINA

To exhibit, please contact: Victoria Zhao

☎ +86-756-3919263

✉ Victoria.Zhao@RTMworld.com