



The Inkjet Cartridge Refilling Market: Positioned for Growth

Synopsis:

The inkjet cartridge refilling market is an emerging segment, driven by demand for a more cost-effective solution to replacing printer cartridges, by environmental concerns, and by enabling technology.

Approximately 20 million new inkjet printers and more than 500 million replacement inkjet cartridges are sold annually in the United States. Replacements for the spent ink cartridges come in three forms: original equipment manufacturer brands (H-P, Canon, Lexmark, Dell, Epson, etc.), private label brands, and recycled-refilled cartridges. Lyra Research, Inc. estimates the refill market will grow from 7 million cartridges in 2005 to over 40 million annually by 2009, or \$101.1mm to \$546.1 mm in revenue. Those numbers represent just 1.4% and 5.9%, respectively, of the total replacement cartridge market, with the balance accounted for in aftermarket sales of new OEM and private label inkjet cartridges.

The retail refilling market is populated by independent refillers, franchised operations, and chain stores, each servicing both consumers and small businesses. The chain store operators are further categorized by office products retailers, drugstores, grocery stores, discount clubs and mass merchant consumer electronics retailers employing automated refilling equipment. It is expected that by 2009, retail chain stores will become the dominant sector within the cartridge refilling market.

As availability increases, so too will demand and revenue. Issues affecting this increase are primarily technology based and include the quality, ease, safety, and reliability of the refilling process. Products successfully addressing these issues may enable growth beyond the current forecast of 52% CAGR over the next five years. Reductions in capital equipment expense and more rapid returns on investment for retailers will also have a positive impact on growth.

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Refilling vs. Replacing: A Cost-Effective, Eco-Friendly Alternative

The inkjet cartridge refilling market was spawned by the high cost of replacement cartridges. At savings of 50% or more off the price of replacement cartridges, refilling is an attractive alternative for consumers and small businesses.

There also is an environmental conservation component to the growth of cartridge refilling. Every day more than 1 million cartridges are thrown away in the United States, creating 60 tons of landfill waste. Refilling a cartridge just three times (can be re-used several times more) can reduce this waste by 75% and save more than 30 million gallons of oil annually. Refilling is good for the wallet and good for the environment.

While still dominated by newly made replacements, the inkjet cartridge market is experiencing change, as consumers and small business owners balk at paying the high prices of OEM, store

brand and third-party label cartridges. Refilling began as a do-it-yourself solution – motivated users employing refilling kits at home to recycle their spent cartridges. Messy, inconvenient and often ineffective, home refilling gave way to dedicated refillers who became practiced at the “Art of Refilling”.

An inkjet cartridge consists of three main components: the ink cavity, electronic circuitry and the print head. Cartridges use either heat or vibration to push ink through the nozzle and onto the printing surface. Most methods for refilling a cartridge entail cutting or drilling the housing to refill the ink cavity, refilling with needles, and then resealing the unit. Cutting and drilling machines are time-consuming, difficult to operate and present some danger to the operator, while needle refilling can often introduce air into the cartridge.

The Refilling Retail Market: The Move to Chain Stores

The inkjet refilling market is made up of independent retail locations, franchised operations and, increasingly, retail chain stores. With growing consumer acceptance of refilled cartridges, refilling became a business opportunity for entrepreneurs. Several hundred independent retailers in the U.S., many of them serviced by factory cartridge remanufacturers, now sell refilled cartridges along with other home office and small business supplies. The more successful of these ventures have evolved into franchised operations.

Today’s top inkjet refilling franchisors include Cartridge World, Caboodle Cartridge, Island Ink-Jet, and Rapid Refill Ink. These four franchisors have 700-800 retail locations among them in the U.S.

Slower to take off, the retail chain market segment is just now emerging, with companies such as Walgreens and Office Max piloting inkjet cartridge refilling projects. The adoption of refilling services has been slowed by the lack of “champions” for the technology within these large organizations, the

absence of hard documentation for ROI, and an “automated, clean and simple” refilling solution that is reliable as well as easy to deploy and operate.

The retail chains can be further segmented into the following categories: supermarkets, drugstores, consumer electronics stores, and office supply outlets. Brand name retailers such as Walgreens, Costco, CVS, Rite-Aid, Best

Buy, Office Depot, Staples, CompUSA, Wal-Mart and others have more than 20,000 retail locations throughout the U.S., representing a significant opportunity for the right inkjet cartridge refilling solution. Lyra Research Inc. predicts that chain store retail sales will account for 62% of all inkjet cartridge refilling sales by 2009, up from just 7% in 2005.

The Winning Solution: The Ink-O-Matic Inkjet Refill System from InkTec Zone

Adoption of inkjet cartridge refilling by chain store retailers and acceleration of the market will require a combination of technology, ease-of-use and a documented ROI that makes a solid business case. InkTec Zone has created the winning solution with the Ink-O-Matic Inkjet Refill System.

Revolutionary Technology

With its unique through-the-printer-head filling technique, InkTec has eliminated the messy, cumbersome and, at times, dangerous process of cutting and drilling that other inkjet refilling systems use. No more drilling and cutting means faster more accurate filling, better quality, and greater reliability. In the Ink-O-Matic inkjet cartridge refilling system, InkTec has automated all of the steps in the refilling process – circuit testing, washing, weighing, filling and print testing – resulting in the ability to refill a cartridge in under five minutes.

Designed for the retail floor, the Ink-O-Matic is a self-contained service center in a compact three-square-foot footprint

with all the materials necessary for refilling 82 different inkjet cartridges. InkTec’s proprietary cartridge tester checks electronic circuitry prior to filling



and verifies quality of the refilled cartridge. This prevents employees from wasting time and materials refilling cartridges that will not work.

Easy to Use, Simple to Deploy

Because all steps are automated, store personnel can be trained in as little as one hour. The touch screen display walks the operator through every step, and provides on-screen prompts and instructions. There's even a "pause and return" mode that permits the operator to interrupt the refilling process to tend to other store business and return to complete the task, picking up where he left off. This designed-in ease-of-use means the Ink-O-Matic adds profitable sales to the store without interrupting normal store operations.

Rapid Return On Investment

With gross margins of greater than 90%, the profit to retailers with the Ink-O-Matic inkjet cartridge refilling system is tremendous. At this gross margin rate, a store that refills just 50 cartridges per day (that's about 4 hours of run time) will realize a payback on the purchase price of the Ink-O-Matic system in a little more than one month. At 25 refills per day, the payback is less than three months.

To facilitate the acquisition of the Ink-O-Matic inkjet cartridge refilling system, InkTec Zone offers purchase plans, a lease option, or a profit-sharing service program in which InkTec manages and operates the Ink-O-Matic system for the retailer and shares the profit.



Summary

- The inkjet cartridge refilling market is poised for tremendous growth, achieving \$550 million or greater in revenue by 2009.
- The market will come to be dominated by retail chains utilizing advanced refilling equipment to offer their customers while-you-wait in-store refilling services.
- The key to this growth will be the deployment of advanced refilling equipment that provides a quality service and reliable product, that is easy to use and non-disruptive to the retail store environment, and that offers a rapid return on investment.
- InkTec Zone believes it has the solution in the Ink-O-Matic Inkjet Cartridge Refilling System.

For more information on the market opportunity and the Ink-O-Matic solution, contact InkTec Zone at info@inkteczone.us, visit our Web site www.inkteczone.us, or call us at 1-888-4-INKTEC (888-446-5832).