

BUILDING A SUCCESSFUL INK AND TONER RETAIL STORE

Launching a retail business isn't as simple as "build it and they will come," but by educating yourself on the various business models and choosing one that suits your needs and experience, you can greatly increase your odds of success.

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The high price of OEM printing supplies has created a huge opportunity. Consumers and businesses are angry — and getting angrier — about what they see as the ridiculously high cost of ink and toner cartridges. Sticker shock often occurs when consumers realize that a single cartridge or set of cartridges may cost more than the price of the machine. People are upset that ink is one of the most expensive liquids they buy — far more expensive than gasoline.

Businesses realize that printing supplies are their No. 1 office expense, and their cost of printing

has been rising at an accelerated pace. The trend is that new cartridges are smaller, with less ink or toner, or are simply more expensive in real dollars or in cost per print.

The result is that customers are increasingly eager to find and try alternatives, and this has led to a tremendous opportunity at the retail level. Ink and toner stores are among the fastest growing retail segments in the U.S. And the U.S. is far behind much of the world in that most Americans simply throw away cartridges; very little recycling is done. Consumer education is still needed,

and although there are many sources of supplies, the retail opportunity is still virtually untapped.

The reality, however, is that not everyone who opens a store is successful. During the past few years we've spoken with many store owners and found that success is mixed — some are very profitable, but too many are struggling. Two stores local to us, which opened after we did, have since closed. It's definitely not as easy as "build it and they will come."

Before opening our store, we spent a tremendous amount of time and

energy building a comprehensive business plan (See “Creating a Successful Business Plan,” Recharger Magazine, November 2006). In doing so, we needed to develop and decide upon a business model. There are many different ways to structure a retail business model, and we looked at them all. From a product perspective, we could outsource or do it ourselves. We could remain independent or become an affiliate — franchisee, licensee or other relationship — of some established organization.

All approaches have advantages and disadvantages, as described in the table below.

So which model is best? Of course, there is no “right” answer to this question. You must choose a

model based upon your needs, your impressions of each model and the due diligence you perform, your financial position and desired level of investment, and your own business and retail experience.

We chose to start our business as an independent. Prior to making that decision, we investigated some franchises, but ultimately decided against that route. We developed a mixed do-it-yourself and outsourcing business model. We chose to fill some ink cartridges in the store — HP, Lexmark and Dell primarily — and outsource remanufactured toners, some remanufactured inks, and compatible ink cartridges for Brother, Canon and Epson machines.

We attribute our success to a strong focus on business planning,

along with precise execution and continual re-evaluation of the plan. A key component of our plan was to build a low startup cost and low overhead business. We opened our store for about \$40,000, including inventory, and we achieved \$500,000 in sales in 2006 with only three people — myself, my wife and one employee (hired in June 2005). Overall, we’ve made many more good decisions than bad ones.

So how do you make your business successful? While there is never a guarantee of success, there are some fundamental areas on which you should concentrate:

- 1) Create a comprehensive business plan. Get help if you need it.
- 2) Pick a good location.
- 3) Identify and focus on your target customer.
- 4) Take exceptional care of your customers.
- 5) Deliver high-quality products.
- 6) Experiment with various marketing efforts to find what works for you.
- 7) Know your competition.
- 8) Hire great people — and do whatever it takes to keep them.
- 9) Review your finances constantly, including your receivables.

The opportunity for ink and toner retail stores is huge, and it will be for many years to come. Building a successful business is the challenge facing every entrepreneur who wants to leverage that opportunity. **R**

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Outsource vs. Do-it-Yourself Business Models		
	Advantages	Disadvantages
Outsource	<ul style="list-style-type: none"> • Fewer employees, lower employee cost • Reduced risk • Quick customer in/out 	<ul style="list-style-type: none"> • Higher cost of goods, lower gross margins • Greater dependency on vendors for quality
Do-it-Yourself	<ul style="list-style-type: none"> • Lower cost of goods, higher gross margins • Greater control over quality, processes 	<ul style="list-style-type: none"> • Learning “how-to” will be a challenge • Higher employee cost, risk if they leave • Possibility of longer customer wait times
Independent vs. Affiliation (Franchisee, Licensee, etc.)		
	Advantages	Disadvantages
Independent	<ul style="list-style-type: none"> • Run the business the way you want (business model, products, services, hours, etc.) • Lower costs — no fees or royalties 	<ul style="list-style-type: none"> • Must learn business on your own • Lots to do yourself • May take longer to open store • Getting support may be a challenge • Harder to leverage pricing from suppliers • You'll likely make more mistakes
Affiliate	<ul style="list-style-type: none"> • Provides assistance in learning the business • Likely a faster store opening • Potentially higher level of support (from master, from other franchisees/licensees) • Business model and systems established for you 	<ul style="list-style-type: none"> • Higher costs (initial fees, royalties, etc.) • Restrictions on running your business