

Member company case study : Lexmark™

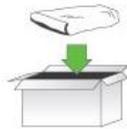
In March 2017, Council Director David Fitzsimons visited the syncreon factory in Zary, Poland, approved by member company Lexmark for the remanufacture of its imaging equipment and printer toner cartridges.

The visit aimed to answer the following questions:

- Why did Lexmark choose a third-party specialist - syncreon - to carry out remanufacturing on its behalf?
- Looking at toner cartridge remanufacturing only, why is the return rate from professional organisations not more than 35%?
- Has investment in remanufacturing led to Lexmark keeping any other manufacturing operations in Europe?



Step 1: Package It



Step 2: Box It



Step 3: Label It



Step 4: Ship It

Why outsource?

Two main financial reasons for outsourcing were outlined by the senior management team led by Paul Dullaghan: minimising capex and mitigating the investment execution risks. However, the visit revealed that using a third-party specialist has also delivered lower average unit costs and a faster product turnaround. Why? Unlike in traditional manufacturing, the plant manager has no insight on the number of cores for remanufacture that will be received in the coming weeks. In such an uncertain environment, production planning is complex and potentially expensive. Syncreon smoothes out this uncertainty by manufacturing brand new products as well as contracting with further original equipment manufacturers like Lexmark, and can thereby spread the cost of staff resources across multiple different product families.

Lexmark recognises that it could not replicate this cost advantage in-house. What's more, syncreon is required to deliver toner cartridges to Lexmark's European distribution warehouse in the Netherlands every day by a specified time - a performance standard that is easier to manage through an approved expert third party.



A higher rate of cartridge return?

Lexmark offers business customers a free-of-charge return service for its used toner cartridges and has done so for more than twenty years. About 35% of these cartridges are returned by the customer.

“Customers are given the free-of-charge return offer but a surprising number simply don’t take it up,” said Maxime Furkel from Lexmark.

This customer behaviour has consequences for the design of toner cartridges. If only 35% of the cartridges are expected to be returned by the customer there is no incentive to design components to function beyond five, or even ten, customer cycles. There are still no regulatory drivers to remanufacture



toner cartridges, so what more can be done to motivate customer participation in the return programme? A growing number of organisations have adopted ‘Circular Economy’ procurement methods in the absence of regulations. These favour return-for-remanufacture systems.

A multiplier for investment in remanufacturing jobs?

As Patrick Carminati of Lexmark said, “A global review of production costs favoured Mexico and China. But once cartridge returns for remanufacture were factored in, the case to invest in an integrated remanufacture and manufacturing operation inside the EU became positive.”

The plant has worked as intended and will be expanding. It meets approximately 45% of European demand for Lexmark toner cartridges, and further investment will see this grow to 80% by the end of 2018.

Investigating remanufacture of used cartridges revealed some hidden benefits. These include the reduced cost of holding smaller stock levels. New cartridges manufactured outside Europe take several weeks to be shipped and so require large buffer stocks in Lexmark warehouses to satisfy customer needs.

Remanufactured products, on the other hand, are returned in Europe, delivered to the syncreon plant in Poland and are ready for distribution to clients within four days. “That saving is small and uncertain but we account for it,” said Lexmark’s Patrick Brewer. What is clear is that a positive multiplier for jobs and investment has followed this decision to favour toner cartridge remanufacturing.

As the remanufactured products are produced on the same production lines with the same tightly tolerated components utilizing the same engineering specifications and testing protocol, Lexmark can provide its customers with the same quality and reliability performance and guarantee for these genuine Lexmark remanufactured toner cartridges that they do for newly built Lexmark toner cartridges.



The CER (Conseil Européen de Remanufacture) is managed by Oakdene Hollins



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