



Trouble is Brewing for Off-Lease MFPs

Trouble is brewing for off-lease MFPs and single-function printers. There is a growing challenge that, if not properly addressed, could result in the MFP and printer remarketing industry no longer being sustainable, perhaps within the next five to seven years. That could result in leasing companies and dealers scrambling with having to find new ways to manage the disposal of MFPs and printers once leases end.



The challenge was addressed on Sept. 23 at the Lease Equipment Return Summit in San Antonio, Texas, hosted by the Business Technology Association (BTA). I attended the summit, along with Former BTA General Counsel Bob Goldberg and BTA President Adam Gregory. Also present were nine representatives of five leading office equipment leasing companies, as well as a representative of an MFP remarketer attending with the hope, he said, that the information he shared conveys the thoughts of other remarketers.

The problem is multifaceted, but largely has to do with the significant rise of A4 MFPs in the workplace and the resulting ever-increasing quantity of A4s coming off lease. Adam illustrated this reality by pointing out that at his dealership, Advanced Business Solutions in St. Augustine, Florida, 70% of placements are now A4. The remarketer noted that, extrapolating from market research firm IDC's new install projections, within six years there will be 1 million A3 MFPs, A4s MFPs and printers coming off lease annually, the majority of them A4s and printers.

What's the issue? The asset values of off-lease A3 and A4 MFPs are in decline, but especially for A4 MFPs and printers. "There is very little demand for [off-lease] A4s and printers in the domestic market,"

the remarketer said. "It's not much better overseas. The margins are low." As a result, he added, the quantity of off-lease A4 MFPs and printers that must be recycled for materials is increasing. "In the past, about 5% of the A4 MFPs and printers coming into our facility were being sent to recyclers," the remarketer stated. "Today it is 25%. The projection is that it will be 50% in three years and up to 60% to 65% in seven years."

Meanwhile, the remarketer said, the cost of warehousing and labor is increasing. So, the remarketers are incurring increasing costs for the handling of equipment coming off lease, shipped to the remarketer and, in turn, sent to recyclers. In addition, there is an expectation that all recyclers will begin charging a recycling fee.

There are also concerns associated with shipments outside the country. The remarketer noted that at his company, 70% of the non-recycled MFPs are currently being shipped overseas. "Our biggest fear is that we will wake up one day and a few big international markets will have quit doing business with our industry due to geopolitical reasons or whatever," the remarketer said. He also mentioned the challenges that would result from a possible ports strike [now underway].

What is the solution? The summit attendees discussed at least two possible answers: (1) Encourage the OEMs to take more responsibility for the end of life of the MFPs that have no value, perhaps by way of using materials that are of more value to recyclers; (2) Leasing companies may find it necessary to charge an additional fee (the amount determined by each company) on leases in order to pay remarketers a fixed fee (rather than just a commission on the sale value) to cover the costs associated with recycling, and ever-increasing warehousing and labor costs. ■

— Brent Hoskins

Executive Director/BTA Editor/Office Technology

Brent Hoskins
brent@bta.org
(816) 303-4040

Associate Editor

Elizabeth Marvel
elizabeth@bta.org
(816) 303-4060

Contributing Writers

Greg Goldberg, BTA General Counsel
Business Technology Association

West McDonald, GoWest.ai
www.gowest.ai

Jenna Miller, Emerald Strategic Marketing
www.emeraldstrategicmarketing.com

Dale Stein, Technology Assurance Group (TAG)
www.tagnational.com



Business Technology Association

12411 Wornall Road
Kansas City, MO 64145
(816) 941-3100
www.bta.org

Member Services: (800) 505-2821
BTA Legal Hotline: (847) 922-0945

Valerie Briseno
Marketing Director
valerie@bta.org

Brian Smith
Membership Sales Representative
brian@bta.org

Brooke Barker
Administrative Assistant
brooke@bta.org

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FLASHBACK



The association's magazine cover 48 years ago this month — the NOMDA Spokesman, October 1976.