

Dash of colour

by Laura Staples

Media Sciences facts

Founded: 1987
Listed: NASDAQ: MSII
Global sales 2006: \$21.3 million
Employees: 75
Manufacturing sites: Oakland, New Jersey

Michael Levin: "Our quality standards are very strict and paramount to our success"

Media Sciences is a pioneer and leader within the office colour supplies market and with such a focus on quality and R&D, it's not difficult to see why

Media Sciences is a force to be reckoned with in the office colour supplies market. It is committed to delivering high-quality, affordable colour to the end user. The pioneering company significantly invests in research and development (R&D) and its intellectual property rights to maintain its reputation for excellence as the "other OEM [original equipment manufacturer]". Combining world-class engineering and a vision for innovation, Media Sciences introduced the first alternative to the printer manufacturers' brand of solid ink sticks and the first alternative in colour toner cartridges. In 2005, the company's growth was the impetus for its relocation to a new, larger headquarters in Oakland, New Jersey, now home to corporate offices, an impressive R&D facility and the company's manufacturing and distribution operations. For the quarter ended 31 December 2006, Media Sciences reported record net revenue of \$6.1 million, an increase of 18 percent over the same

period last year. **OPI** spoke to CEO Michael Levin to find out the secrets of the company's success and to learn what it is looking to achieve going forward...

OPI: Media Sciences has come a long way since its launch as a graduate start-up. Now a publicly traded company, what has been the key to your success?

mediaSciences®
The Science of Color™

Michael Levin: A constant theme throughout our business has been to offer consumers a high-quality choice in a proprietary market. Over the years we have listened very carefully to our customers and have focused on bringing to market quality products in which they have complete confidence, at substantial savings. Our business integrity, agility, persistence and our uncompromising focus on excellence in a competitive environment have served us well over the years.

OPI: Your mission statement says that you are committed to delivering quality, value and choice while providing reasonably priced consumables to the end user? How do you marry the two?

ML: Our quality standards are very strict and paramount to our success. We've attracted some of the best talent in the industry and we have married that talent with cutting-edge technology and professional business processes. Together, they allow us to deliver premium quality products at a better price than the OEM brand. Small and large businesses alike know that colour is an essential tool for business success. When a printer owner only has the OEM to turn to for quality supplies, the channel and the end user can be held hostage to the OEM price. Our commitment is to make high-quality colour affordable.

OPI: The company has referred to the colour printer supplies market as a \$10 billion opportunity. You have also said that imaging supplies dealers are not significantly tapping into it. Why is this? What advice would you give them to take advantage of the opportunities at hand?

ML: According to industry analysts such as Lyra Research, the colour laser printer supplies market (inclusive of solid ink) is valued at over \$10 billion today and is



expected to reach \$18 billion by 2009. The colour laser supplies market is still in its infancy and often considered 'niche'. With colour laser supplies, substantial technological expertise and significant equipment and testing facilities are required to consistently deliver high print quality and performance time and time again. Therefore many organisations are deterred from entering the space. We believe partnering with our company gives them the ideal opportunity to enter the colour laser supplies market with confidence and with better margins than the OEM brand, and without risk and/or a significant investment.

OPI: What opportunities can you offer to dealers?

ML: Media Sciences focuses exclusively on the burgeoning colour laser supplies market. The monochrome and inkjet markets do not promise today the same level of growth as colour laser supplies. Our newly designed, newly manufactured, premium quality colour laser printer supplies, which are 30 percent cheaper when compared to the OEM brand, are a compelling value proposition for the end user. And with our dealer programmes and end user demand creation activities, it's the right place for dealers to be.

OPI: Can you explain a bit more about the thought process behind your five-point promise?

ML: At Media Sciences, our dedication is clear. In every corner of our company, in every professional's daily work, whether it be R&D, manufacturing, quality assurance, tech support, sales, accounting, or customer service, will be found 'The Science of Color' commitment to excellence.

'The Science of Color' is behind everything we do at Media Sciences. It represents our leadership in the business of colour, and is embodied by our people's daily commitment to delivering strategically identified, margin-rich, high-quality business colour supplies that bring tremendous value to our long-term, loyal customers.

'The Science of Color' promise means that when you buy a Media Sciences product, you can rest assured that we stand behind it fully with the following five commitments. The first is rigorous R&D. We ensure colour integrity, printer performance and product stability in the printer manufacturer's specified operating environments. The second is our commitment to superior standards for manufacturing, which means that nothing leaves our warehouse without meeting our Gold Standard for excellence. Third is the experienced, responsive technical support we make available to customers from the first day of purchase. The fourth concerns intellectual property (IP) protection, which

includes patent indemnification for anyone who sells or uses our fully researched, patent-sensitive products. And finally, the risk-free full protection warranty that we offer ensures that we will repair or replace a printer if ever necessary.

OPI: You are very proud of your warranty. Is this typical of the kind of communication message that you try to get through to the end user? Is this why you invest so much in R&D and quality control?

ML: Absolutely. Our R&D and quality control investments ensure that our products are consistently of high quality. When a customer buys products from Media Sciences, they receive goods that provide the same performance and quality as those from our competitors time and time again. Our customers buy our products with complete confidence in their consistent premium quality and performance.

OPI: It is also fair to say that your warranty is one of your brand's unique selling points. Can you identify any others that help to differentiate your products from your competitors'?

ML: Our respect for the OEM's IP allows us to indemnify our partners and the end user. And our products today are 100 percent newly built, and as such we can control every aspect of the manufacturing process and therefore the product.

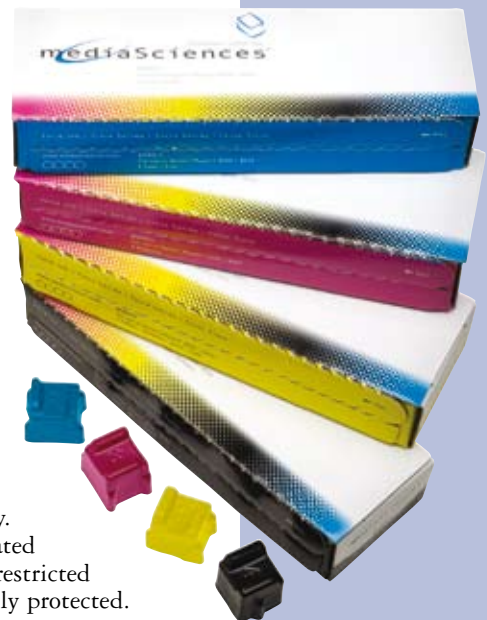
This translates into consistent high-quality supplies producing high-quality prints.

OPI: Your business is inextricably linked with IP rights and patent legislation. How important are these to you? How aggressively do you protect them?

ML: While we have protected our IP, including formulations and designs, as trade secrets, we intend to increase the pace of our patent application activity. Further, development-related areas of the company are restricted and information is carefully protected.



The Media Sciences
Oakland, New Jersey HQ





OPI: How do you make sure that you indemnify the dealer so that you can both enjoy peace of mind?

ML: At Media Sciences, we assume the validity of all patents. We rigorously research all patents related to any new product we have in development and

we do everything possible to ensure that we respect the IP of others when we create our new designs for our newly manufactured products. As a result, we can indemnify our partners and end users with confidence and they can sell, buy and use our products with confidence and without risk.

OPI: Could you elaborate on your INKlusive programme for dealers? What is its purpose?

ML: We have a reputation in the industry for being a pioneer. We introduced the first solid ink alternative, the first compatible new-build colour toner cartridge, the first new-build colour toner cartridges with chip technology, and the first free colour printer programme. In exchange for a commitment to purchase a monthly supply of Media Sciences products, the end user will receive the printer, all shipping costs, and technical support for free. Dealers receive an upfront commission for placing the printer that may be significantly higher than the margin they would receive if they had sold the printer. The dealer's contact info is placed on the printer so that end users can order any additional Media Sciences supplies needed directly from the dealer.

OPI: What exactly are you referring to when you say that you want to be

recognised as the "other OEM" and how will you go about this?

ML: Every facet of our supplies business, from the significant development resources devoted to bringing a quality, non-infringing product to market, to our new-build product line and our four-colour packaging, echoes the commitment and quality of the OEM. Our quality focus and the warranty we put behind our products mean that end users can buy and place our products in their printers with the confidence and positive experience that they experience when they purchase the printer manufacturer's brand. All of our products are designed, manufactured and tested for exceptional performance in the printer specified.

OPI: Your workforce has tripled since the company's establishment. How important is it for you to invest in the best-skilled people?

ML: While we are focused on accelerated growth, we also have a strong reputation for quality and professionalism to maintain. It is essential for our company to attract experienced, top talent to help us scale all areas of our business with precision and excellence. We take pride in the fact that people love our products and that they respect our people. As a result, they want to do business with us.

OPI: How do you build on the relationship between your R&D staff and your marketing staff and encourage integration to maximise your earning potential?

ML: Our product marketing team works to identify and assess product opportunities for our company in close collaboration with R&D and our leadership team. Our business process is such that communications across these two departments are both formal and informal, and occur within regular meetings and planning documents. Our product marketing team is also closely aligned with our sales team in order to better understand the needs of our partners and the end user.

OPI: You have made some changes to your management team over the last few months with the appointment of Ian Copsey as director of EMEA sales and Vincent Kelly as VP of US sales. What are you hoping that these individuals will bring to the company?

ML: Both of these individuals have been very successful in building sales strategies, teams, and channels. Ian Copsey is a veteran in the international aftermarket supplies arena, having previously worked for Static Control and Katun. He has run a \$100 million sales organisation and has now been charged with the responsibility of expanding our presence and growing our



market penetration and revenues in the EMEA region. Vincent Kelly has successfully built several sales organisations and has been responsible for extraordinary revenue growth. He too is an office products industry veteran, most recently having served DYMO. He understands the needs, challenges and potential within the office products space.

OPI: What are your plans for your European and other overseas operations? What progress have you seen in this region? Do you have any plans for further expansion?

ML: We see tremendous opportunity in Europe and the rest of world. Media Sciences provides a strong profit opportunity to all of our partners, in Europe and elsewhere. Our value proposition – high-quality supplies at significant savings compared to those of the OEM – is as compelling to the end user in Europe as it is here in the US. To that end we are continually increasing our investments in sales and support personnel in Europe, and expect to put EU-based logistics (warehousing and shipping) in place within the next 12-18 months.

OPI: You have also made changes to your technical team with the appointments of Eric Tuvesson, Tadahiro Kaneko and Robert Catena. Has there been a change of focus within your development team?

ML: The appointments of Eric Tuvesson as VP of new product development, Tad Kaneko as director of toner development and Robert Catena as director of solid ink development illustrate an investment in the acceleration of product development while maintaining our industry-leading quality, and IP respect. But these individuals are but the tip of the iceberg. Media Sciences has made significant additional investments in personnel and technology, all with the objective of bringing high-quality, margin-rich supplies to the colour printer supplies market.

OPI: Your 18 percent year-on-year revenue growth is something that you wish to improve on to catch up with market growth of 30 percent. You have also said that you want the company to up its market share from the supply of



one in five colour laser printers to one in three. How can you achieve these objectives? What other goals do you have in sight?

ML: We have stated publicly to our investors that acceleration of our product development schedules, increased market penetration, and the possibility of acquisition are elements of our growth strategy. We have invested significantly over the past year in building the infrastructure necessary for growth. Our expanded R&D team and capabilities, as well as our expanded sales force, including the addition of two industry veterans to head up our international and US sales operations, are key investments. These teams are moving aggressively, such that we are already experiencing the benefits in our product portfolio and in our worldwide distribution.

OPI: What are you hoping to achieve by securing your position as the essential partner for selling colour products?

ML: In the printer supplies industry, Media Sciences is known as a leading manufacturer. We're known for our integrity, our passion, and for being a strong business partner. We offer a unique profit opportunity to the channel, a unique offer to the end user (premium quality, 100 percent new at up to and over 30 percent in savings) and we're the company that lives up to all that we promise. Our quality, consistency, technical support, and warranty are unparalleled.

We hope to achieve serious partnerships with those entities that have the same commitment to quality, value and IP respect as we do. These partnerships in concert with an ever expanding range of high-quality supplies will enable Media Sciences to maintain its leadership position in this dynamic and growing market. ■



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