

# THERMACUT: CUSTOMERS HAVE THE RIGHT TO FAIR TRADE

Service and sales employees of replacement **cutting consumables** manufacturers increasingly encounter confused customers. This confusion often is initiated from attempts of plasma cutting system Original Equipment Manufacturers (OEMs) to recover the market shares they have lost to **fair competition** in the replacement torch and consumables market. These companies often **use questionable argumentation and procedures** for this.

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THE CUTTING COMPANY<sup>®</sup>

# THE FIVE MOST FREQUENT “MYTHS”

## REPLACEMENT CONSUMABLES AND TORCHES WILL CAUSE EQUIPMENT FAILURES

**AT TIMES, ORIGINAL EQUIPMENT MANUFACTURERS (OEMS) STATE THAT THE USE OF REPLACEMENT PRODUCTS OTHER THAN THEIR OWN TORCHES OR CONSUMABLES WOULD LEAD TO A HIGH RISK OF SEVERE DAMAGE TO THE CUSTOMER’S TORCHES OR EVEN THE POWER SOURCES.**

Of course, this is merely a fear tactic to pressure the consumer. Almost every plasma cutting OEM owns an aftermarket company and sells replacement consumables for their

competitor’s machines, yet some OEMs accuse others of piracy for doing the same. Modern power sources cannot be damaged or destroyed by use of torches or consumables from third-party production. The systems are designed and built so that they will survive maximum imaginable interferences without damage. The systems are completely protected against continuous short circuit so that possibilities like consumable combustion, cooling outage, torch crash or incorrect operation will not cause any damage to the power

source or its periphery – completely independently of whether OEM parts or third-party compatible consumables are used.

For example, the Thermacut group sells more than 5.700 replacement torch systems around the world every year, as well as more than 1.400.000 consumables sets (electrodes and nozzles) to cutting users. Never has a single torch or even a power source been damaged from use of Thermacut products.

**THESE FACTS SPEAK FOR THEMSELVES!**

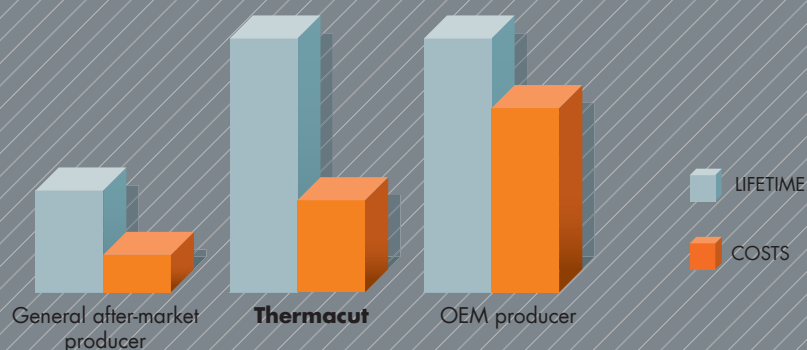
## ONLY OEM TORCHES AND CONSUMABLES CAN OFFER TRUE PERFORMANCE

**OFTEN, OEMS TRY TO TELL THEIR CUSTOMERS THAT THE SERVICE LIFE OR CUTTING PERFORMANCE OF THEIR OWN PRODUCTS IS BETTER THAN THAT OF THE LARGE THIRD-PARTY PROVIDERS. THEY ARGUE THAT SAVINGS WHEN PURCHASING THE PARTS FROM A LOWER-COST THIRD-PARTY PROVIDER WOULD BE OFFSET BY MORE FREQUENT CONSUMABLE CHANGE AND LOSS OF CUTTING PERFORMANCE.**

This is contrary even to mere common sense! In the harsh competition of the users and service providers, no one is going to settle for less than the best. The calculation of operating costs in

relation to the products offered is part of daily business and a prerequisite for sustainable economic success. If the argumentation of the OEMs was applicable, third-party product users would quickly return to the expensive genuine parts or leave the market.

This is not the case. Many long-term successful and satisfied Thermacut customers are proof for this. This is also true in independent and objective examinations regarding service life and cutting performance of Thermacut parts in relation to OEM parts.



Graph: Comparison of plasma electrode. Price and performance (10 mm mild steel, cutting speed 2,6 m/min)



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### ONLY SUPERIOR SERVICE CAN BE PERFORMED BY OEM TECHNICIANS

#### OFTEN, OEMS CLAIM THAT ONLY THEIR OWN TECHNICIANS ARE ABLE TO PROVIDE TECHNICALLY QUALIFIED CONSULTING TO THE USERS.

Quite the opposite: Thermacut service employees are in continuous contact with their development departments and receive regular trainings in all new and further developed products – not only those of a single OEM.

Continuous bilateral dialogue of field service and development department ensures that the service teams are always informed about new product and process developments, and that they are skilled in them. Vice versa, this ensures that the development department receives feedback on the products in actual cutting operations and are able react to the requirements and demands of the cutting technology users.

Competence of the service employees in the area of user consulting and troubleshooting of course often exceeds that of the OEM service employees, since they not only have unilateral company-specific know-how but actually know about all the modern cutting systems and application specifications due to the wide product range. This way, the customer always receives the best solution on the market – not only the best options of a single OEM.

### YOUR WARRANTY WILL BE VOIDED

#### SOME OEMS THREATEN THEIR CUSTOMERS WITH THE POTENTIAL LOSS OF CLAIM TO SERVICE AND WARRANTY SERVICES IF THEY CONTINUE TO USE OTHER THAN GENUINE TORCH CONSUMABLES. THEY SAY THAT IN THE FUTURE THEY NEED TO RETURN TO THE OVER-PRICED GENUINE PARTS.

This general refusal of service and warranty services due to the customer's use of other than genuine consumables is not legally permissible in most countries (e.g.: in EU-law: sect. 81 and 82 para.1 EGV or in the US according to Magnuson-Moss Federal Trades Commission Improvement Act and the directives on "patent misuse")!

Rather, the warranty provider must explicitly prove that the damage caused is exclusively due to use of third-party consumables. There is not a single known case in more than 800.000 plasma cutting systems installed around the world. Be assured that the OEMs would expressly refer to it in their argumentation if there was one.

### APPEAL TO MORALS

#### ONCE THE OEM HAS REACHED THE END OF ITS ARGUMENTATION, IT MAY TRY TO SPILL CROCODILE TEARS TO RECLAIM THE CUTTING USER'S APPROVAL. IT WILL APPEAL TO THE USER'S MORALS AND DESCRIBE ITS

#### IMMENSE EFFORT IN RESEARCH AND DEVELOPMENT THAT IT INVESTED IN THE PRODUCTS.

The OEM insinuates that future innovation – also and specifically for power source technology – will not be possible in the future if the user does

not buy its over-priced consumables. After all, the revenue is a fixed part of the development budget. "This is nonsense of course" – the "Rockefeller principle" well known from oil lamps and printer cartridges, in which a product is offered below

production costs to then make a profit later by selling overpriced operating materials or required consumables, will only work if the provider holds a market-governing monopoly position. Luckily, this is not the case for users of cutting devices, torches and accessories.

The claim made in this context is that third-party providers of consumables have no expenses for development and innovation which is not correct either. For example, Thermacut spends more than 5 % of its sales in the field of plasma for R&D. Improvement and specifically further development of

present OEM technologies concurrently with clear benefits regarding service life and cutting performance for the users provide this and are essentially responsible for the sustainable economic success of Thermacut.

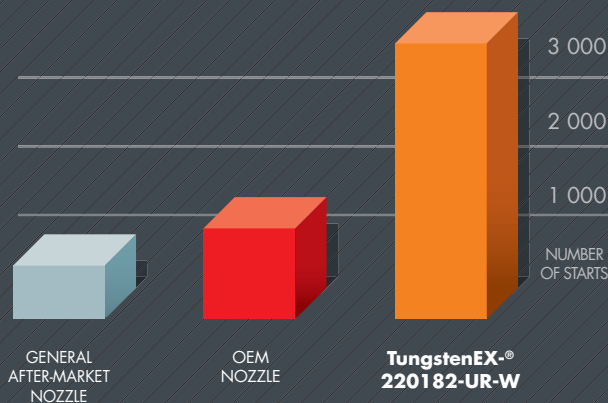
The best examples for this are the consumables technologies Silver-EX™ for electrode innovations and Tungsten-Ex™ for nozzle innovations.

Let it also be noted that Thermacut invests about 6 % of its plasma sales in new production methods and state-of-the-art highly efficient production machines every year to continue to provide customers with highest-quality

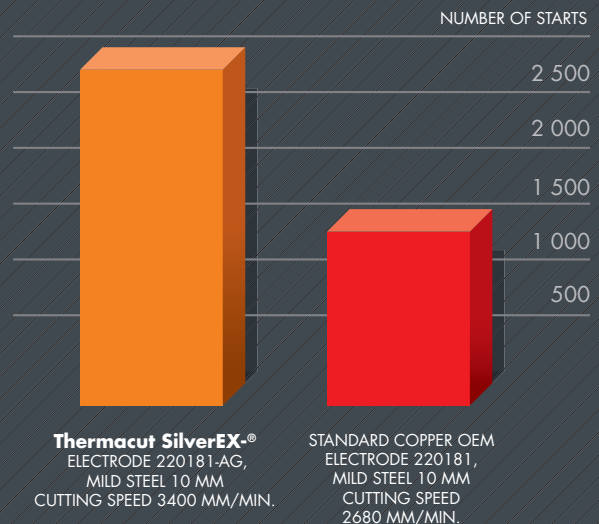
torches and parts at attractive prices below the OEM price level.

The hypocrisy of the above pleas to the purchasers' morals becomes clear when considering the following: Hypertherm® as the largest OEM of plasma cutting systems in the world itself happily offers copies of cutting torch consumables. Through its subsidiary "Centricut®", Hypertherm® sells consumables of other well-known competitors. Therefore, Hypertherm® makes a considerable contribution to the global business with replacement consumables, thus reducing the turnover of its OEM competitors.

Graph: The number of starts achieved with TungstenEX® nozzles compared to other manufacturers (130 Amp, Mild steel)



Graph: Number of starts achieved with SilverEX® electrode compared to standard cooper OEM electrode.



## RESULT

# ONLY MYTHS, BUT NOT REALITY!

This analysis of the arguments or methods in which OEMs try to reclaim their customers for the consumables business demonstrates that the OEMs seem to want to keep their customers confused. They use the customers' lack of knowledge regarding technical and electronic interrelations to fuel fears that cause customers to return to the OEMs' arms –

much more expensive but allegedly more secure. They use questionable argumentation and claims and often move on rather thin ice, legally speaking.

However, it is also characteristic that these methods are usually only used orally in consulting meetings with the customer, in order to avoid the danger of conflict with the competition supervisors.

**Every technology user should critically question this procedure and respond out of their own interest.**

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