

The End of Printer Profits?

Written by Bob Snyder
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Xerox Corp. reports decreasing demand for printer equipment and consumables as their printing, photocopying and document management business suffered a 12% profit decline. Some industry experts call this latest quarterly financial report the tipping point where the cash cow of the printer/consumables hybrid goes dry and dryer...



Driven by innovative printers, multifunction devices and document management software, the printer business has been lucrative, allowing partners to sell highly profitable consumables (cartridges, ink, paper etc) as well as maintenance services.

But today, as an example, Xerox gets about 33% of its business from printers and consumables, 20% from photocopies and the rest from professional services and business process outsourcing. That's right, Xerox is almost more an IT integrator than a printer/photocopier maker-- and that's a tipping point!

In its new business, Xerox is competing against Hewlett-Packard Professional Services (formerly EDS) (among others), another printer company that's embracing IT services instead of hardware/consumables.

Hewlett-Packard has now merged its Imaging and Printing Group with the Personal Systems Group. HP was clearly impacted in Q2 by a slowdown in commercial printer sales, as its IPG Group reported a 10% revenue decline. Commercial printer revenue was down 4% year-over-year, with commercial hardware units down 7%. Consumer printer revenue was a disaster: down 15% year-on-year, with hardware units down 13% and total printer unit shipment

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volumes down 11%.

Epson is down -13.9% in its Q1 (ending July 31st, 2012). Lexmark may sell off its inkjet business. Konica Minolta is buying into the MSP business.

Vendors have pushed more and cheaper hardware products into the market to capture more of the lucrative consumables market. (Except poor Kodak who tried selling its printers and marking down the consumables.) With PC sales declining, there's less opportunity to sell peripherals.

Smartphones, tablets and cloud computing also changing the way we read e-mails and documents-- and feeding the decline of print. Next year will see some big changes in the world of ink printers, according to industry experts.

Convenience will be key in 2013 with printers being able to adapt to any device people may be using, be it smartphone, tablet or PC.

There will be more options for mobile printing via a wireless connection to a local device, and for cloud printing as manufacturers react to the New World of IT.

Canon, Epson and Kodak plan new ranges for the new year, with a host of new features to renew customer interest.

Finally, printing apps will be big in 2013, like HP's ePrint for printing film tickets and maps.

Managed print may fit better in today's cloudy business models. CompTIA says only 21% of SMBs have adopted managed print services (in USA, but as an example for what will come in Europe), so there is virgin territory still out there.

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It's becoming increasingly clear that printers and their consumables are no longer the golden handshake they once were. But while some experts predict the "end" of the printer/consumables model, it's more likely manufacturers will fight decline with more innovation and better adapt to today's mobile environment. Business will not get any easier, and partners will have to "morph" along with vendors...but there are still some profitable years ahead for solution providers.