

HP refocuses as Deskjet turns 20

Printing giant urges retailers to drop 'wet lab'

Amanda Fehd

Associated Press Article Launched: 02/28/2008 01:40:58 AM PST Two decades ago, Hewlett-Packard launched a printer that would create global demand for what would become one of its most profitable products: ink.

HP marks the 20th anniversary of the Deskjet today and is seeking new markets for its printers and ink, including retail chains and corner drug stores where Americans are increasingly turning to have their digital photos put on paper.

Printer supplies - ink, paper, photo books - provide 60 percent of the revenue at HP's printing division, according to analysts. And that division delivers almost half the company's profit, which totaled \$7.26 billion last year.

In 1988, the Deskjet was a clunky 14 pounds costing a hefty \$1,000, but it turned hugely popular after dropping below \$500 in the early 1990s: Office managers could typically buy supplies that cost under \$500 without approval from a higher-up.

Now, inkjets sell for less than \$100 and provide all-in-one services, including high-quality photos. HP has sold more 200 million Deskjet printers, each with a big hunger for ink.

But with home-based photo printing on the decline, HP is now marketing its inkjet technology to retailers like Target and Costco, urging them to scrap their old "wet lab" chemical-based photo printing and go with "dry lab" inkjet machines that shoot out 1,500 prints an hour.

As Vyomesh Joshi, executive vice president of HP's printing division, puts the company's strategy: "thinking of printers, think of printing."

While HP holds 46 percent of the printer market, Joshi is eyeing the printing market - books, magazines, newspapers - where HP grabs only a 1.8-percent share of total pages printed.

Joshi sees HP growing its printing business 4 percent to 6 percent a year, with a 14 percent to 15 percent operating margin, by converting some of the traditional analog printing market to digital printing with inkjet technology. And he's counting on continuing to replace silver halide for printing photos.

Home-based color photo printing kept ink revenue flowing strong until about 2006, when a resurgence in retail photo printing took hold. With the volume of digital photos they were shooting, consumers realized having the corner drug store take care of their printing was easier and cheaper than a home print shop.

Five to seven years ago, the majority of digital photos were printed in the home, according to Federico De Silva, an analyst with Gartner. Now 60 percent are printed at retail outlets.

Ed Ho, a software engineer based out of Palo Alto, switched from a state-of-the-art home printer to Costco two years ago. His home-printed pictures faded quickly, and were expensive and time consuming, he said.

"It's too much work, you've got to go buy the paper, you've got to change the ink. Then you want to save on ink, so you change the yellow but not the red. The time and energy and everything for my home printer was just totally not worth it," Ho said.

He now uploads pictures of his two kids to Costco's Web site, and often chooses to have them printed at a branch in Hawaii, where the kids' grandparents can pick them up.