

**Topic:**  
Printers &  
Suppliers

## Softly Softly Catch Your Market

### In the world of small format printing, HP stands out as the goliath...

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In the world of small format printing HP stands out as the goliath against whom all new entrants to the market must compete, but how would you approach such a daunting task?

Business Advantage with its wide experience in competitor analysis looked at some of the recent entrants to the European printer market and the strategies they have adopted to meet the challenges of this lucrative but potentially overcrowded market.

### DigitAll?

Samsung was the fastest growing brand 2001/2002 (Source: Interbrand) it entered the printer market offering high technology at very low prices. This strategy has been most successful in the Eastern European market where HP has less of a stronghold and notably Samsung has gained significant market share in Russia. Samsung have been less successful in more mature markets such as Germany where HP's dominance is firmly established.

Samsung have focused on developing relationships with distributors offering highly flexible pricing in order to saturate the market with low priced machines, the intention being to gain revenue from supplies. The competitive pricing of the Samsung range appeals to the consumer and Small office home office (Soho) market and combines communication, entertainment and information products to provide a total "DigitAll" solution.

### Always working?

Few had heard of the Lexmark brand a couple of years ago, originally part of IBM, now ranked 2nd in the US printer market. With little brand awareness and retail space limited to low-end multifunctional machines they have achieved a great deal in a short space of time. Their success has been derived from offering advanced technology at aggressively low prices to build market share..

Lexmark, unlike some of its rivals, uses chip technology to prevent use of non-Lexmark ink and toner cartridges, thereby safeguarding the substantial revenues obtained from printer supplies. With an expanding reseller network, Lexmark have targeted vertical sectors with large consumable requirements and are looking to make a significant dent in the Soho & corporate printer market in Europe. Lexmark have used differentiated marketing and sales approaches focusing mainly on the channel with the ultimate aim of creating "customers for life" and the revenue that brings. Lexmark may be "always working" but they are also the preferred supplier of Dell OEM machines.

### As easy as Dell?

The latest entrant to the printer market is Dell; famous for its direct sales model and innovative supply chain logistics. Dell has no retail presence in Europe and faced some interesting challenges in terms of provision of supplies, the lucrative part of the printer market. The fourth quarter 2003 financial results for Dell announced that 2 million printers have been shipped since their launch. To overcome the lack of retail presence Dell has come up with an innovative new tool, which monitors toner levels and facilitates ordering direct from Dell online. This strategy is more conducive to the business market that tends to purchase supplies in bulk, consumers traditionally like to see before they buy, but Dell could change all that.

The significant difference between Dell, HP, Samsung and Lexmark is that Dell sells printers under OEM agreement. It gains margin by removing the middlemen, the distributors and resellers, and limits its research and design budget. Each aspect of the Dell business is run as a profitable enterprise; HP, Samsung and Lexmark have all subsidised printer sales in order to build market share and gain revenue from supplies.

Dell recently announced that it was partnering with Fuji Xerox, Kodak and interestingly Samsung. This will enable them to broaden their printer product portfolio and strengthen their relationship with the customer, once again without substantial R&D spend. All the new partners hold patents valuable to the printer market and in exchange they will gain access to Dell's existing corporate customer base and the established direct route to consumers.

Dell have been remarkably restrained in the marketing of the new printer products in Europe so far, computers remain Dell's core product. Consumer electronics and PC peripheral products including printers are treated more as "add on" items. Eighty-five percent of Dell's business is with the corporate sector so it would seem likely that the addition of a Colour laser printer is the next step but Dell do not appear to be in a great hurry.

Time will tell if it really is "as easy as dell" and the "softly softly" approach is working, but meanwhile HP continues to "**Invent**".

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