



THE OEM  
MARKETING  
STRATEGIES

# Managing Real World Quality Expectation, Part II

by Luke Goldberg, Future Graphics



*Editor's Note:* Luke Goldberg will be an instructor and panelist at the 2006 Int'l ITC Conference in Orlando, Fla., in May. Do not miss his education sessions: "Growth Opportunities: Entry Level Color Laser" on Thursday, May 11; and "Making Your Business Work for You" on Friday, May 12.

In Part I of this article we discussed the importance of proper management of customers' quality expectations, which will diverge widely depending on the customers' segment (e.g. consumer, SMB or corporate) and the types of printing devices they are using. Just as the OEMs market and position their products based on real-world printer application and the attendant user expectations, so must the aftermarket tailor its message in a similar fashion.

## Assessing the Market

In this article we will discuss color laser and inkjet printers, and assess user expectations and quality expectations in these products with the goal of formulating a marketing message that will appeal to the disparate needs of these users. We will examine color laser and segment the printers and customer usage and expectations between entry-level color printers, which are typically sold at \$400 or less and are targeted towards, the small business/SOHO channel, versus the workgroup color printers, which sell for over \$1,000.

## Entry-level Color Laser

Entry-level color laser is classified as any single-function color printer selling for under \$500. This is *by far* the fastest growing segment of the laser color business. How these products are being sold and positioned is critical in understanding user demands in terms of quality. When Hewlett-Packard (HP) first introduced the HP 2550, it was the only color printer priced and positioned as a monochrome replacement. It was marketed as a black-and-white printer that offered color neophytes the option to print in color.

According to most OEMs in the space for entry level-printers (e.g. Samsung CLP500/510, QMS 2300/2400, OKI 5100/5200, HP 2500/2550/2840), these users will print between 70 to 80 percent of their pages in monochrome. A serious color user will buy a more capable, faster color printer such as the HP 3700/4700. The one example that runs counter to this trend is the HP 2600, which at 8 ppm



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color and only 8 ppm black is meant for more users with high color needs, according to HP.

When evaluating these products, therefore, we are really evaluating 70 percent of an entry-level black-only printer used by a small business with the same expectations as the users described above. In general, those who do use color here are not extremely quality-conscious. They are cost-conscious users who, in this case, are seeking consumable savings.

In almost every instance of entry-level color, a set of four cartridges costs far more than the printer itself. The newly emergent trend of entry-level color MFPs designed to offer AIO (all-in-one capability) for the SMB channel will translate to more consumables business for the remanufacturing industry since they will offer copying, faxing and printing on one device. Examples of these products can now be found at retail for under \$750 (e.g. HP 2840MFP, Konica Minolta 2480MF). Clearly these are going to be marketed at small businesses seeking one device for all general office printing needs with an *option* to print in color. According to my customer's survey (at right), the majority of the pages on these devices (80+ percent) will be monochrome documents for general office usage, not full-color marketing documents. Therefore, evaluation simply based on color performance is not true to these printers' intended application.



There is an important point to remember in general: In the SOHO channel the printer buyer is also the owner of the company, or it was bought for his or her personal use. Because of this, cost is much more of an issue than in corporate America where, typically, the buyer is not motivated to save money on consumables.

To illustrate the varying needs and expectations of color users in the small office versus the workgroup environment, I hired on the prestigious research group of LG Ink. To survey office users in the workgroup and SMB environments in order to better understand their printing needs and quality expectations, the head researcher of LG Ink, Luke Goldberg, analyzed typical customers in the SMB channel with the following findings.

The LG survey of 10 small offices using entry level color laser and monochrome MFP type products included the following types of businesses:

- E-commerce company selling online imaging consumables
- Single agent real estate
- Small dental office
- Jeweler
- Fiancée's Brother (Real Estate Developer)
- Tattoo Shop (Not that I frequent these establishments)

Printers used include the OKI 5100, QMS 2400, and HP 2840 (MFP).

- Most pages printed are black even on the color printer (80+ percent).
- Color is not used in the SMB channel as an external marketing tool.
- All of the users surveyed feel taken advantage of and are upset at the low printer and high consumables cost.
- No one said they would not try aftermarket cartridges due to the fact they were all owner/operators upset with high prices of OEM cartridges.

The LG survey of workgroup color users. I spoke to the marketing, IT, and purchasing agents at the following companies:

- Future Graphics
- Corporate law firm

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Printers used included the HP 4650, Xerox 8400, Xerox 7700, and HP 3700:

- In every instance these were printing as high as 80 percent of the pages in color.
- Documents produced in color were used to market to the outside world, such as mailers with four-color pictures of properties, color logos, etc...
- None surveyed (other than FG) tried aftermarket cartridges.
- Given the high cost of marketing and the importance of image, none felt the savings for compatible cartridges were worth the risk.
- One asked about warranty issues for compatibles and one asked if the aftermarket cartridges contained "ColorSphere toner."

### Workgroup Color

The users who fall under this category are the most quality-sensitive customers in the world. As HP states, "Color is a tool used to permute, to persuade, to sell." Keep in mind, when evaluating monochrome, that 99 percent of all documents are used for the internal dissemination of information within a company. These documents rarely make it outside of the company. Workgroup color, conversely, is a marketing tool. Take Future Graphics (FG), for example. At FG, workgroup color users utilizing printers such as the HP 4600/4700, HP 3700 and Phaser 8400/8500 are using these to market their image to the outside world, and therefore, are primarily concerned with quality. They are generally not cost-conscious users.



### Inkjet

Inkjet quality has to be looked at in two different segments:

**Older Single-function (one- or four-color systems):** Anyone who is serious about digital photography will invest \$100 in a six-color Epson or HP printer if he or she wants photo quality. Older models taking cartridges such as the 23a, 78a, 49 etc., are generally not going to be used for photo quality and, therefore, should not be evaluated solely based on this criterion.

**Newer Photo-specific Six-color Systems:** The digital home printing revolution really has taken the printing world by storm in the last two years. During this time, over 150 million digital cameras, 1.2 billion ink cartridges (annually), and 3 billion units of 8" x 11" photo paper have been sold. Most of this growth is driven by the trend of printing quality, low-cost and easy-to-print photos at home.



Almost every printer released today is photo-capable with a photo memory card slot. Even though the majority of home printing consists of printing off of the Internet, all of these can be used to print photos requiring close matching to the OEM when using photo paper. Evaluation should be based on the following:

- Acceptable photo quality using photo paper. If it does not look as good as the OEM in regular printing, with low-grade paper this is not an issue. Even faint lines will not cause a return generally in text printing.
- Water fastness is not an issue. Users do not expect to be able to submerge their photos in water and not have them ruined.
- Dry times can be longer than the OEM as long as it is not a matter of days.
- Archival qualities are important although difficult to prove. Limited archival studies on our inkjets will only help to debunk OEM propaganda efforts.
- Yield is not an issue unless it is excessively low. Home users do not count pages.

Since most inkjets are consumer products where cost is certainly an issue, it is important to position compatibles as low-cost alternatives to the OEMs' cartridges. It is difficult to compare some of the OEM claims made by HP that its prints will last 120 years under glass, since there is no correlative test standard to confirm this. It is important to understand, however, that in an era of digital photography, the option to simply reprint photos always exists if indeed they do fade!

### Real World Standard

In many cases, the OEM selling strategy of giving away hardware in order to shore up consumables revenue should play into the hands of the aftermarket by creating an angry public who is tired of paying through the nose for the "most expensive liquid on the planet," as Kevin Rollins of Dell claims. Should you encounter a user who is a photo professional using, for example, a Photosmart 8250 or a similar device, he is not going to be as receptive to a low-cost alternative, since printing is his living, not a home hobby. In these instances, sometimes it is better to forgo the sale and gain credibility until a product of sufficient quality is ready.



In summary, it is impossible to have a quality standard that attempts to paint all product evaluation with a broad stroke. Every product in the categories above must be tested and qualified with an eye to the printer's intended purpose, the type of customer and the user's expectation. It is impossible to educate our customers and, therefore, to properly manage expectations, unless product evaluation is based upon this "real world" standard. \*