

# Update: HP Overhauls Printer Cartridge System

April 25 2007

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Gone will be the days of the standard printing system, where consumers bought a standard cartridge size using the conventional HP two-digit numbering system.

Throughout this year, HP will introduce new consumer printers that will be rolled out alongside the revamped cartridge system, which will introduce standard, value, and specialty cartridges labeled with blue, green, and red color coding, respectively. The program will be introduced in various retail stores as well as online, all in the hopes of offering its customers a simplified shopping experience, more choice, and greater value, the company said.

Analysts confirmed that the new cartridges will actually contain a greater volume of ink. However, the new "XL" cartridges aren't new; the company's "78" cartridge has been released in a small and large size since 1999, according to Andy Lippman, an inks analyst for printer

research firm Lyra Research.

HP's current printer cartridges will still be supported, HP said.

According to Pradeep Jotwani, senior vice president of HP's Supplies, Imaging, and Printing Group, the changes are nothing less than a total revamp of the way HP offers its supplies, as well as a recognition that not everyone has the same printing needs.

It may also mean that the company is starting to feel the sting from various third-party inkjet cartridge companies that continue to sell HP-compatible ink cartridges for substantially less money.

Did HP's ink cartridge system need a rework? We'd like to know.

"We're trying to do three things here," Jotwani said. "We want to give consumers more choice, more value, and we're trying to simplify the shopping experience, particularly in a world that is a hybrid online and offline world."

"Before, the way we were doing it, we offered one black and one color cartridge to consumers," Jotwani added, "with no choice within the printing system. We were trying to meet both subsets with one cartridge."

With its new, streamlined offerings, Jotwani says that HP is now recognizing that there are in fact two large clusters of cartridge buyers: "one set of people who want access to printing, but who don't print that much - once or twice a week," Jotwani said.

## **The new lineup**

For these more price-conscious consumers, HP is offering its standard

cartridges (blue packaging), which the company says have a lower purchase price of \$14.99.

Then there's another cluster that prints a lot: 7,000 plus pages a month," Jotwani said. "They also want reliable, high-quality printing, but they're focused on cost per page, not per cartridge."

For that subset, HP will offer higher-yield, value cartridges (green packaging) that will be priced at around \$30 a box, the company says. Continued...

The value line will include new high-yield "XL" cartridges that HP says will provide customers with approximately 30 to 45 percent savings on a cost-per-page basis, print up to three times more pages, and require fewer cartridge replacements compared to standard cartridges.

The rule of thumb in the printer industry is that 20 percent of users consume about 70 percent of the market's ink, Lippman said. "The point is that the high-volume users have a need," he said. "With these value - XL - cartridges, HP is recognizing that this is what the market will look like going forward."

"For those that don't need to print as many pages, it's like buying a soda for a dollar in the grocery store," Lippman added. "That may be all the soda you need. But if you want to buy in bulk, there's always that option, too."

HP first began offering a larger 58.5-ml ink cartridge in 1999, Lyra's Lippman said, complementing the industry-standard 27-ml cartridge.

HP "88" cartridge, introduced in fall 2005, comes in both a 20.5-ml small size and a 58.5-ml "value" cartridge, Lippman said. According to Lyra's tests, the small 20.5 ml "88" cartridge yields about 900

monochrome pages, at an average price of \$19.99 per cartridge. The HP 88XL black "value" cartridge yields about 2,500 monochrome pages for \$34.99, Lippman said. However, the volume of ink the HP's rebranded XL cartridge will hold has not been formally disclosed, he added.

A third cartridge type, or specialty, will come packaged in red boxes and be aimed primarily at users who want to print the highest-quality photos possible. Those cartridges will be priced at about \$25, and will print approximately 150 photos each.

Normally, HP printers ship with either a black, tricolor, or photo-optimized cartridge, Lyra's Lippman said. The new packaging will simply be a cosmetic change to attract the eye, he said.

In 2007, the printer industry could be shaped by a startup, Memjet. Is 360 pages per minute possible? The company says yes.

Alongside these changes, HP is also initiating a revamped two-digit cartridge identification system, which will be used throughout the HP inkjet cartridge line, as well as updated point-of-sale materials such as new ink selection guides.

While the company currently uses a two-digit cartridge-naming scheme for most of its inkjet cartridges, the new system will expand that method, absorbing some of the popular cartridge numbers into the blue, green, and red scheme, HP said.

HP also said that it would be adding other retail promotional materials to educate consumers and educate them on the new inks.

A spokeswoman from rival Lexmark, which reported higher profits Tuesday morning, declined to comment. Representatives from Epson couldn't be reached at press time.

Kodak, however, saw the announcement as an endorsement of its own strategy. "It appears that HP wants customers to choose low cartridge price OR low cost per print," the company said in a statement.

"Volume discounts aren't new," Kodak added. "Kodak believes consumers will be more delighted with its approach because they will get both a low cost-per-page AND an inexpensive cartridge - \$9.99 for premium black ink and \$14.99 for premium, five-ink color cartridges. This will generate real Kodak lab-quality prints for as low as 15 cents apiece. Unlike HP customers, Kodak printer owners won't have to search for special cartridges or pay in advance to get a great value."

Editor's Note: This story was updated at 5:00 PM EDT with comments from Kodak.

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Citation: Update: HP Overhauls Printer Cartridge System (2007, April 25) retrieved 10 April 2024 from <https://phys.org/news/2007-04-hp-overhauls-printer-cartridge.html>

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