

Hewlett-Packard further beset by decline in printing

December 12 2012, by Steve Johnson

As if Hewlett-Packard Co. didn't have enough problems with its lagging personal-computer business and its admission it paid billions of dollars too much for software firm Autonomy, sales of printers - long one of the Palo Alto, Calif., tech giant's main revenue sources - are shriveling.

HP executives insist printers, ink and related products will remain essential for businesses and many individuals. But people aren't [printing](#) as much as they used to, in part, according to some experts, because of smartphones and tablets, which enable vast amounts of information to be easily accessed from anywhere. And the experts predict the trend will increase, which could further threaten HP's bottom line.

"They are in trouble over the long term," said Federico De Silva, a principal analyst at the Gartner market research firm. "It's a big business, to be sure, but it's not growing. It's in a slow decline and we don't see it coming back."

Gartner foresees [global sales](#) of printers and copiers - which had been \$50 billion in 2010 - dwindling to \$47.8 billion in 2014. Just this month, International Data reported global shipments of printers had dropped nearly 26 percent in the third quarter this year. It blamed the soured economy, reduced business purchases and "the shift in [consumer spending](#) to other products like mobile devices and tablets."

Some people - including 28-year-old Ai-Lien Le of San Jose, Calif., an early intervention specialist for developmentally challenged children - hit

the print button as much as they ever did. Although she owns a smartphone and iPad, she said, "When I go into meetings, I have to print out documents to the participants. I still like paper."

But James Jeffery, a 46-year-old sales engineer from Reno, Nev., who frequently flies into the San Francisco Bay Area for his equipment automation company, said he mostly emails information to his clients.

"In business, my printing is down over 90 percent," he said, "It's just becoming antiquated."

That's just what HP doesn't want to hear. The company's stock already has been in a tailspin, largely because sales of its primary product - personal computers - have slowed dramatically. In addition, the storied Silicon Valley corporation recently announced it had been tricked into paying more than \$5 billion too much for Autonomy. It can ill afford to have its printer business - which CEO Meg Whitman has termed "the lifeblood of HP" - also go south.

So far, the evidence isn't encouraging. Sales of printers and related products at HP - which owns about 40 percent of that market worldwide - have fallen from nearly \$30 billion in 2008 to \$24.5 billion in fiscal year 2012. And those products, which represented 31 percent of its total revenue in 2003, now account for just 20 percent.

"We certainly see pressure on the consumer printing market," particularly with people printing fewer photos at home, acknowledged Steve Nigro, an HP senior vice president. But he insisted "printing is not going away."

With the volume of information growing on the Internet and other sources, HP officials say, some of that is always going to get printed. Moreover, they foresee the printer market for businesses and some parts

of the world growing, which is why the company is focusing more on those areas.

In October, it introduced what it called "the largest upgrade of HP's commercial printers in almost a decade." It's also pushing products that make it easier to print from mobile devices.

Noting people have predicted the demise of printers for years, Brent Bracelin, an analyst with Pacific Crest Securities, said the business is "still generating a good bit of profitability."

But Jack Narcotta, an analyst with Technology Business Research, contends the printing business is undergoing "a wholesale change." Others point to numerous signs that society is going paperless.

Companies like DropBox let users store and access information from the Internet. Instead of printing out maps, many people now rely on navigational gadgets. Airlines are phasing out printed boarding passes in favor of digital versions.

Some people also want to reduce paper use to help the planet. A recent news release from Rep. Anna Eshoo, D-Calif., contained the admonition, "Please consider the environment before printing this email."

Even among businesses, which are widely expected to keep some printing, many have reduced the number of printers they have to cut costs and Gartner's De Silva said workers on average print half as many documents today as they did in 2005.

The trend is only going to accelerate, according to Cindy Shaw, an analyst with Discern, an investment research and analytics firm.

"Grandma and Grandpa may still prefer hard copies," she observed in a recent note to her clients, "but over time, Grandmas and Grandpas will have grown up in the digital age."

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