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Color Laser Printers: High on the Shopping List

By Lauren Gibbons Paul
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OEMs that lost interest in the printer market years ago now have reason to take another look: **the rapid transition underway from monochrome laser to color laser printers** used by workgroups and departments. Previously, these devices were cost-prohibitive for business users, who viewed color as a "nice to have," rather than an essential, according to Jennifer Thorwart, senior analyst, printers and peripherals, for International Data Corp. (IDC), in Framingham, Mass.

Since the average sales value (ASV) for an office color laser printer of this caliber has dropped precipitously -- from a whopping \$26,000 four years ago to just \$2,000 today -- **businesses are at last beginning to embrace color laser**. "There is a massive pickup" in sales of color laser printers to businesses worldwide, says Thorwart.

Color Laser: Shipments Up, Dollars Down

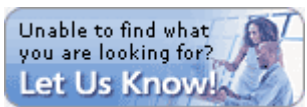
U.S. single-function printer laser shipments and value, 2003-2008

	2003 Shipments	2008 Shipments	2003-2008 CAGR, Shipments	2003 Shipment Value \$USD	2008 Shipment Value \$USD	2003-2008 CAGR, Shipment Value
Color Laser	395,570	859,870	16.8%	\$1.0 billion	\$1.3 billion	4.9%
Monochrome Laser	3.03 million	3.1 million	.5%	\$2.5 billion	\$1.8 billion	-6.3%
Total Laser	3.43 million	3.96 million	2.4%	\$3.5 billion	\$3.1 billion	-2.4%

Source: IDC, Sept. 2004

Color lasers are one of the **bright spots in an overall mature printer market** where growth has slowed. Worldwide shipments of single-function printers totaled 16.5 million units in the second quarter of this year, representing an increase of just 3.2% compared with the same quarter last year, according to a recent report, "Market Share, Printers, Worldwide, 2Q03 - 2Q04," from Gartner Inc. of Stamford, Conn. Hewlett-Packard continues to lead the market, shipping 5.9 million printers of different technology types. But Kodak and Xerox are coming on strong with photo printer and color laser models, respectively, posting triple digit year over year increases.

The Money in Color



The shift to color is good news for printer OEMs. "Color laser is a new growth area. **There is more money for vendors in color,**" says Thorwart. Workgroup office printers, which generally operate at speeds of 24 pages per minute (ppm) or above according to IDC, now cost about \$2,000 USD for a color laser model. Just four years ago the ASV for a similar model would have been \$26,000 USD. That is an astonishing drop, even for the high-tech industry, where prices fall as if pulled downward by a force more powerful than gravity.

Although both the initial purchase price and consumables purchase price are higher for color laser than those for monochrome laser, **the total cost of ownership (TCO) is only a bit higher for color laser as opposed to monochrome laser**, making color a good fit for the enterprise. Color laser printers print black-and-white content just as cheaply as their monochrome counterparts. "Some vendors are pushing color machines as monochrome devices that can do color to get around businesses' initial reluctance to view color capability as necessary," says Thorwart.

Meanwhile, desktop color laser printers -- with prices starting at just \$350 USD and operating at speeds of between 5 and 10 ppm -- are taking off in the small to medium-size business (SMB) and small office/home office (SOHO) markets. HP's popular color LaserJet has a street price of roughly \$700 USD. **"Color laser has cracked the SMB barrier,** and to some extent, SOHO," says Thorwart.

U.S. Laser Prices Decline Sharply

U.S. laser printer average shipment value by type, 2003-2008

	2003 \$USD	2008 \$USD	2003-2008 CAGR, ASV
Color Laser	\$2,609	\$1,524	-10.2
Monochrome Laser	\$831	\$587	-6.7

Source: IDC, 2004

Today's **SMB and SOHO users are accustomed to using color multifunction ink jet printers**, which are convenient, easy to use and cheap. For example, street prices run about \$299 USD for the HP Officejet 6200 series.

Like SMBs, consumers have embraced ink jet multifunction printers (MFPs), which combine printing, copying and scanning functions in one box. Consumers are likely to hold off on buying even the lowest price color lasers since these models are single-function and may not have the photo printing capabilities they need. "The low-end color lasers may not be able to print 8 x 10 photos or borderless photos," says Thorwart. **"Most consumers find multifunction ink jet is the way to go right now."** If and when consumers begin to factor in the fact that **laser has a lower TCO than ink jet**, they may be persuaded of color laser's high quality and long-term value proposition.

Color Laser MFPs Take Off

Sales of high-end color laser MFPs aimed at the enterprise are growing even faster than single-function color laser printers. Between 2003 and 2008, compound annual growth for shipments of these devices will be 35%, as opposed to 17% for single-function color laser shipments during that time, according to IDC data. But with ASVs of nearly \$20,000 USD in 2003, **color laser MFPs are still significantly more expensive** than their single-function counterparts. Like lower-end ink jet MFPs, color laser MFPs generally include printing, scanning and copying functionality in one unit.

Because the cost is so much higher, businesses will tend to **buy one color laser MFP for two or more floors** as opposed to two or more units for one floor, says Thorwart.

Several vendors have taken a short-term margin hit to put affordable color laser printers out on the market in force, hoping that the demand for high-profit toner will offset their initial losses on the device. They have continued to improve their offerings while reducing prices to the point of pain.

"Acquisition prices have fallen but functionality has grown," says Thorwart. "These printers can handle more paper and have a longer duty cycle. The consumables are easier for users to replace."


MFP Lasers Coming On Strong

U.S. laser multifunction printer (MFP) shipments and value by type, 2003-2008


	2003 Shipments	2008 Shipments	2003-2008 CAGR, Shipments	2003 Shipment Value \$USD	2008 Shipment Value \$USD	2003-2008 CAGR, Shipment Value
Color Laser MFPs	70,000	311,000	34.9%	\$1.36 billion	\$3.01 billion	17.6%
Monochrome Laser MFPs	1.37 million	1.84 million	6.1%	\$7.7 billion	\$6.87 billion	-1.7
Total Laser MFPs	1.44 million	2.15 million	8.3%	\$8.84 billion	\$9.92 billion	1.7%

Source: IDC, Sept. 2004


With four cartridges rather than one or two, color laser is inherently untidier than monochrome, but the mess factor is less than it used to be. Yet it's in those cartridges where the real revenue potential in this sector lies. **"The consumables side is the profitable side of the business,"** says Thorwart. "Until you have an installed base, you're not going to tap into that revenue. That's why vendors are willing to take a hit in the short run."

In this volatile space, **it's all about capturing the after-market.** Thorwart cautions this strategy may not be sound for smaller players, though. "From a smaller vendor perspective, they're never going to get the sales they need to justify these price drops. There is money to be made but you have to be in it for the long haul. The market is still figuring itself out." 

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Lauren Gibbons Paul has more than 15 years of experience as a writer and editor for leading business and technology publications, including *eWEEK*, *CIO*, *Managing Automation* and *Network World*. She has also done research assignments for a number of well-known analyst firms.

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