

Dell Printers Will Gain Ground Slowly

Dell has introduced competitive desktop and workgroup printers, but success depends on changing buyers' habits. That will not happen quickly.

Event: On 25 March 2003, Dell Computer announced the first-ever Dell-branded printers:

- A940, a desktop all-in-one machine, offers inkjet printing, scanning, copying and fax capabilities. It prints up to 17 pages per minute (ppm) in monochrome, and up to 12 ppm in color. It sells for \$139.
- P1500, a desktop laser printer, prints at up to 19 ppm and sells for \$289.
- S2500, a stand-alone workgroup laser printer, and S2500n, a networked version, print up to 22 ppm and sell for \$499 and \$839, respectively.

First Take: Dell has shifted strategy from September 2002, when it announced plans to enter the printer market and drive down the price of printers and supplies (see "Dell Promises Lower Inkjet Running Costs for Customers"). Now, though, Dell plans to make procurement easier. Dell has priced the hardware competitively but has not dramatically undercut the competition. The supplies cost about the same of those of other vendors — for example, a replacement inkjet printer cartridge costs \$30 — although Dell will offer discounts for buying in bulk. But Dell will sell its printers via the Web to save buyers having to go to a retailer. In addition, Dell will monitor the level of ink or toner left in a cartridge, alert users and let them click easily to Dell.com to order more.

The strategy change reflects a competitive market. Hewlett-Packard (HP) and the other top vendors offer high-performing printers at low prices. To meet users' expectation, Dell cannot assemble printers from low-cost components supplied by various providers as it does with PCs; instead, it must tap an established competitor such as Lexmark International, the original equipment manufacturer for its printers. Since Lexmark, along with HP, derives most of its profit from supplies, it naturally wouldn't want Dell to force prices down.

Dell printers have a mixed outlook. Dell targets fast-growing segments — 10 ppm to 30 ppm forms the "sweet spot" for monochrome printers. In the United States, revenue generated by all-in-one machines (like the A940) grew 171 percent from 2001 to 2002. Dell also has a solid reputation and a large PC customer base to sell into. Nevertheless, Dell will have to change some entrenched habits as it did with PCs. Users purchase 90 percent of printer supplies from retailers, not online. Small-office users, Dell's target market, tend to disregard the cost of supplies and buy at the last minute, not ahead of time and in bulk. Dell gives laser printer customers a choice of low- and high-capacity toner cartridges at competitive prices. And Dell will have to work hard to give users a reason to switch from very popular HP and Lexmark printers. Accordingly, Gartner believes Dell printers pose no immediate threat to HP.

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Analytical Sources: Peter Grant and Ken Weilerstein, Gartner Research

Recommended Reading and Related Research

- “Dell Enters Printer Business With Four New Printer Products” — Dell is still learning how the printer and supplies business works, but it is exciting to have a new vendor enter the market and differentiate itself based on the acquisition process. **By Peter Grant and Cecile Gobin**
- “HP’s Latest Inkjet Printers Raise the Standard Against New Rivals” — Vendors that wish to compete in this area must meet customer expectations by making large, continual and well-managed investments in R&D just to keep pace with HP and its established competitors. **By Ken Weilerstein and David Haueter**

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