

The Hard Copy Supplies Journal

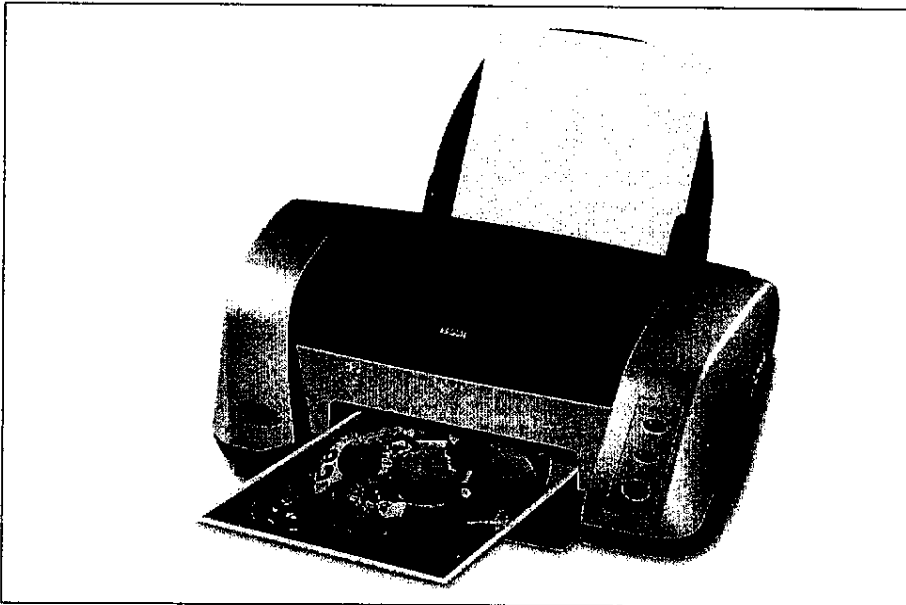


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Epson Introduces More New Printers and New Ink Cartridges

On August 14, Epson America added two new direct photo printers to its product line: the Stylus Photo 825 and the Stylus Photo 925. Then, on August 26, the firm announced the Stylus C62 and C82, which

uses the same print heads used in several previous Epson printers. Like all Epson photo printers, it is a six-color printer. The black print head has 48 nozzles, and the color head has 240 (48 nozzles per color). Epson says the



The Epson Stylus C82 replaces the C80 and sports a spiffy new industrial design, higher print speed, 5,760 dpi resolution, variable-size droplets as small as 4 picoliters, and three new ink-cartridge SKUs

are inkjet printers targeted primarily at small-office and home-office (SOHO) applications. Finally, on September 3, Epson America announced a new wide-format machine, the Stylus Pro 10600. These new machines are all in addition to the Stylus Photo 960 and Stylus C42UX that were announced in July (*Journal*, 8/02).

Stylus Photo 825

We had just finished writing about the high-end Stylus Photo 960 last month when Epson announced the two new lower-end photo printers. The Stylus Photo 825 replaces Epson's Stylus Photo 785EPX and

print heads can produce variable-size droplets as small as 4 picoliters.

The Stylus Photo 825 uses the same ink cartridges as the Stylus Photo 870, 875, 1270, and 785EPX. The black ink tank (T007201) has a yield of 540 pages of text or 370 pages of graphics at 5 percent print density and sells for \$24.95. The color ink tank (T008201) yields 220 pages based on 5 percent coverage per color and sells for \$19.95.

The major difference between the new 825 and the 785EPX that it replaces is support for what Epson calls "5,760 × 720

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A New Paradigm: Selling Pages Instead of Printers

Industry observers have talked about the convergence of copiers and printers for years, but few companies have seen the opportunities in that convergence, let alone taken advantage of them. One company that seems to be on the leading edge of networked digital document processing is Kirkland, WA-based Print, Inc.

The firm's business model is simple: it sells pages. It does this by analyzing a client's needs and installing the appropriate equipment, usually HP MFPs, and providing ongoing supplies, service, and support and various digital document-delivery solutions. The client may have dozens of printers and MFPs installed but receives one invoice and is charged one cost per page. Print owns the equipment and is able to move printers from one client to another or within a client's facility as required by demand for pages. The firm is also able to supply its clients with new or remanufactured toner cartridges, according to the client's needs, using its own remanufacturing facility.

Print's entire fleet of printers is networked, and each machine automatically sends page counts and usage profiles each month to headquarters where the information is used for billing purposes and asset management. Based on the usage profiles, the firm assesses how its clients use equipment and manages

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where certain units are placed in order to achieve cost efficiencies. In addition to HP printers and MFPs, the firm uses equipment from Lexmark and other printer vendors and digital copiers from a variety of vendors.

Rapid Growth

A privately owned company that was started in June 1999, Print's sales grew by 500 percent last year, and founder and CEO Gary Stevens says he expects revenue to double to more than \$40 million this year. Stevens has experience in the copier business, having been a Konica dealer for a number of years. Doug Johnson, the company's COO, was a vice president and general manager in HP's LaserJet supplies operation for several years. According to Johnson, the firm currently has more than 230 employees in 17 offices across the country. "Our business is heavily skewed toward the West, but we operate nationwide," he says.

When HP launched its latest series of LaserJet MFPs last March (*Journal*, 3/02), Print was one of the first companies that HP selected for its new VIP program. Under its VIP reseller program, HP has selected a limited number of resellers in each geographic region after ensuring that those resellers have the networking expertise and service and support capabilities required to support HP's entire line of products. In return for limited geographic overlap, the VIP resellers get substantial functional rebates from HP for products that are sold and installed and for the training of customers. They also receive substantial rebates on the sales of HP supplies. The VIP program is modeled after programs used by many copier companies and emphasizes selling MFP solutions rather than simply selling printers.

According to Johnson, the VIP reseller relationship with HP has worked extremely well for Print. "We have sold about two-thirds of all of the LaserJet 9000 MFPs that HP has produced," he claims. According to David Laing, HP North American product marketing manager for multifunction printers, Print accounted for nearly 40 percent of all HP LaserJet MFP sales in 2001. "We are the foundation channel for HP MFP sales," claims

Johnson. IKON, which is another of HP's VIP resellers, has more than 300 offices nationwide, but IKON also sells Canon and Ricoh products. According to Gary Stevens, the reason that Print sells more HP MFPs than IKON is that Print is focused on the MFP space while IKON is more focused on copiers.

Output-Centric

Stevens points out that, until recently, there were two kinds of resellers: printer resellers such as VARs that are in the COMDEX channel and copier resellers such as IKON, Danka, and the CDA and NOMDA channels. Print has a hybrid business model and calls itself a digital added reseller (DAR). "We are output-centric in our approach," says Stevens, noting that his firm's approach is to focus on output by selling pages instead of printers. "We sell digital technology and proactive asset management," continues Stevens, explaining that equipment, supplies, service, and management are all bundled into a page price to optimize a customer's investment.

Stevens asserts that the copier function that is managed by facilities people in most organizations, the printing function that is managed by IT organizations, and the general information explosion created by the Internet, e-mail, and document processing have all converged to create what he calls output chaos. "We've built our business around this convergence zone," says Stevens, noting that printing costs are the least documented costs in the average office.

Print's target customers are small and medium-size businesses in the United States. "More paper is produced in small and medium-size businesses than in large corporations," claims Doug Johnson, who explains that the target customer is one way in which Print differentiates itself from HP's Print Advantage leasing program. "Print Advantage targets Fortune 500 companies," says Johnson, who notes that Print Advantage is based purely on toner consumption, while Print's program is based on pages printed and provides asset management and proprietary application solutions.

Stevens says that Print buys its equipment through distributors such as Tech Data rather than direct from HP or other companies. "That keeps us unrelated to the manufacturer and allows us the freedom to do what

we want," claims Stevens, noting that his experience as a copier dealer confirmed for him the importance of freedom from the manufacturer. "Copier dealers are controlled by the copier manufacturers," he asserts.

In-House Reman Operation

Although most of Print's growth has been organic, the firm has acquired two companies along the way. One was Radiant Laser Charge, a toner cartridge remanufacturer in the Phoenix, AZ, area. "We bought them [Radiant Laser Charge] so that we could control quality and provide our printers with high-capacity cartridges," says Johnson, noting that the operation is like a closed-loop system with cartridges starting as new OEM cartridges and cycling through until no longer remanufacturable. At the Phoenix operation, the company also refurbishes printers that are being moved from one client to another or when client-based service representatives determine that a printer requires refurbishment. Johnson notes that service is the company's primary product, not equipment. "The way to win in the convergence space is to focus on service," asserts Johnson.

According to Stevens and Johnson, HP does not have a problem with Print remanufacturing cartridges for some of its printers. The firm also uses plenty of new OEM cartridges, and, in the case of some of the higher-end cartridges like those used in the LaserJet 9000, HP provides rebates to the company through its VIP program, making it uneconomical to remanufacture.

Johnson tells us that Radiant Laser Charge was already one of the largest toner cartridge remanufacturers in Arizona when Print bought the company. "They had around 1,800 clients when we acquired them, and they've grown tremendously since then," says Johnson, pointing out that Radiant has kept its growing customer base and added a substantial number of cartridges for Print's clients. "We have more than 100,000 units in the field that they now support," claims Johnson, who indicates that Print's installed base produced more than half a billion prints last year.

A Familiar Business Model

It is interesting that Print's business model is very similar to the model that small regional remanufacturers such as Lasertone have been

Lasertone Forms National Network with Five Other Firms

Lasertone Corporation (Littleton, MA), an HP VIP reseller, announced it has joined forces with five other regional remanufacturers and printer service providers to form a new company called National PSN—the National Printer Service Network. According to Lasertone, the new company will provide service and dispatch capabilities that support the growth of Lasertone's national laser printer service base and that of the other five members of the network.

Lasertone is a regional cartridge remanufacturer and printer service provider that has been gradually expanding its customer base beyond the New England area (for a company profile, see *Journal*, 8/00). According to John Cassidy, Lasertone's VP of sales, the firm formed the idea for a national network when New England-based clients began purchasing printers and supplies for their remote offices. "We said, if we're in front of these people anyway, let's see if we can expand our reach and reduce corporate transactions by consolidating printer service contacts," says Cassidy. According to Cassidy, there were strong indications from customers that providing service out of Lasertone's direct-service area was a challenge worth pursuing. Lasertone invited several regional leaders to a roundtable discussion last November that ultimately led to the formation of National PSN.

According to Cassidy, the companies had independently built their own informal networks, and there were some obvious overlaps. "We agreed that coordinating the network was labor- and time-intensive, so the principal owners decided to pool resources and create the new Dallas-based entity," explains Cassidy. Currently, the six founding companies represent four regions of the country—the West Coast, the Southwest, the Midwest, and New England. "We have yet to encounter an area we cannot cover; over 150 qualified providers are dispatched from the central office," says Bill Garvis, VP sales at TCS Corporate Services (Richardson, TX), who also serves as president of the new organization, overseeing the central office operations.

Besides Lasertone and TCS Corporate Services, the founding companies of the consortium include Image One Corporation (Detroit, MI), LaserEquipment (Meriam, KS), Standard Manifold (Chicago, IL), and On-Site LaserMedic (Woodland Hills, CA).

Lasertone's Cassidy tells us that RFPs for national toner and service contracts, particularly from the Fortune 1,000 companies, are likely to foster healthy competition from the individual partners. "However, consistent levels of support nationwide, with pertinent usage information and follow-up, are the value-added services the network provides," he explains. Cassidy tells us that the consortium has increased the number of service calls

processed through the network by 100 percent over the past two months.

According to Cassidy, the new company enforces strict service levels and manufacturer-certification requirements. "The new corporation is a first of its kind in the laser printer industry," says Cassidy, adding, "Its unique approach to providing national coverage through the combined strengths of dominant regional players allows National PSN to provide superior service levels."

As printers and copiers converge, it will be interesting to see which approach works best—Print, Inc.'s nationwide cost-per-page approach or National PSN's regionalized, high-touch service approach. On the surface, it would seem that National PSN's strategy is more cost-efficient, although there could be a downside in the prioritization of service calls unless the six firms can agree to a strict system of priorities. And, of course, there is nothing preventing the six companies in the network from using a cost-per-page model to sell their services. In fact, as MFPs become more commonplace and corporations begin to centralize the purchase of document equipment in IT departments, we may see a hybrid of this model, with firms like Lasertone and others offering a combination of the two business models. Only time will tell. ☞

using for several years (see sidebar above). Many of these remanufacturers cultivate relationships with small and medium-size clients within their geographic region, usually one metropolitan area. Although the remanufacturers do not own their clients' printers or bill on a cost-per-page basis, they are similar to Print in that their primary product is service. And bundled into that service are support and supplies.

Many regional remanufacturers are authorized HP dealers and service centers. They can sell genuine HP toner cartridges or remanufactured cartridges. Their pitch to the customer is, "Don't worry ... we will keep your printers running." Many of these companies send a serviceperson to each client on a

periodic basis to check each printer, clean and adjust if necessary, and make sure there are toner cartridges nearby. If a client wants a new printer, the remanufacturer can get one from a distributor, just as Print does. If a client wants genuine HP toner, the remanufacturer can supply it, just as Print does. And the remanufacturer is able to control the supply and quality of empty cartridges, just as Print is. Except for its billing practices, Print is doing on a national basis what remanufacturers have been doing on a regional basis for years. Print's business model is just more sophisticated.

The convergence of printers and copiers has created many challenges for vendors competing in the office document-processing

space. Copier dealers have traditionally dealt with facilities-management organizations and sold on a cost-per-copy basis. They understand customer-service issues. Printer resellers have traditionally sold boxes and software to IT managers and have developed an understanding of the challenges of placing new devices on the corporate network. Print takes a three-sided approach to digital convergence. It marries the service capabilities of the copier dealer with the networking capabilities of the printer dealer and adds the recycling and refurbishment capabilities of the remanufacturer. Based on its results thus far, this approach has been successful and will likely be adopted by others. ☞