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Eastman Kodak, Hewlett-Packard Heat Up Words, Printer Pricing

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Don't expect the folks at Eastman Kodak Co. (EK) and Hewlett-Packard Co. (HPQ) to exchange season's greetings this year.

A war of words is heating up between the two companies over Kodak's claims its printers can dramatically cut printing costs. And the winner may end up being consumers.

Kodak Chief Marketing Officer Jeffrey Hayzlett recently exchanged swipes on microblogging site Twitter with Angela LoSasso, the head of social media strategy for H-P's imaging and printing group. At one point, LoSasso published links criticizing Kodak's marketing claims and the reliability of its printers. Hayzlett on Dec. 3 responded with "Shame on your tactics Big Ink."

LoSasso later wrote, "You have a fight you can't possibly win. I am HP."

In addition to talking smack, the two companies are also cutting prices, translating into steeper savings for consumers this holiday season. The latest: Best Buy Co.'s (BBY) web site Monday lists three Kodak multifunction printers at discounts ranging from 25% to 40% off, and H-P's printers are discounted by as much as 30%.

H-P on Friday offered a \$50 trade-in credit on its printers as it encouraged a Kodak printer owner on Twitter to get "Cash for that clunker." Kodak is also offering a \$50 trade-in credit at Best Buy. Indeed, printer prices remain an exception among consumer electronics this holiday season. Electronic gadgets generally are being less discounted than last year because of better retailer control over inventories.

Yet printer prices have tumbled.

"Since October, the prices of multi-function printers in general have dropped about 30%," said Vipin Jain, chief executive of Retrevo, an electronics shopping and review site. "For printers, there's deeper discounting than for last year."

Adding to the price pressure is H-P, which is trying to address several consecutive quarters of weak printer unit shipments and market share loss. Executives told investors in November that H-P will increase its printer shipments by at least 10% in Jan. 31-ended quarter. The printer division is "getting on the attack," Chief Executive Mark Hurd said at the time.

Analysts then suggested H-P would win share with dramatic price cuts, which would lower overall printer prices.

There are signs the expected price war has emerged.

Jain said the printer category ranks third - behind the popular holiday categories of laptop computers and flatscreen televisions - for the most promotions being offered among electronics.

Verbal skirmishes also appear likely to continue.

On Thursday, Kodak said it would modify some ads following a probe by the Federal Trade Commission that was triggered by H-P complaints over Kodak's assertion that consumers can save on average \$110 per year on ink with Kodak's All-in-One inkjet printers. Kodak agreed to clarify that its annual savings estimate is based on printing four pages a day, saying the FTC guidance helps make Kodak's claims "even clearer and more relevant for consumers."

But H-P, in an email statement to Dow Jones Newswires, said the ruling "validates our contention that Kodak's advertising was misleading consumers."

H-P, the largest U.S. printer maker, emphasizes its "track record of quality and reliability," and says its Twitter postings reflect "overwhelming dissatisfaction from customers who purchased Kodak printers and discovered the printer they bought just isn't reliable."

In an interview Friday, Hayzlett defended Kodak printers' reliability and said the company will stick to its value-focused marketing message, despite H-P's resistance to doing so.

The iconic camera maker, which is struggling in several other divisions, introduced its inkjet printer in 2007 with a different approach to the industry's usual model of selling hardware at slim profits and profiting on sales of ink refills.

Hayzlett said Kodak is on track to double inkjet printer sales to 2 million units in 2009 and expects "some similar growth in this area" next year.

"(H-P) is the 800-pound gorilla, and they're using big, heavy guerilla tactics in order to come after a small player in the market," Hayzlett said.

Shares of H-P recently traded up 0.9% at \$51.98 and have gained 43.3% so far this year.

Kodak shares, which have fallen 33.9% year to date, recently were up 5.6% at \$4.35.

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