



What is the Real Cost of Owning a Printer?

The Lack of Industry Standards Leads Consumers to Overspend \$6 Billion for Home Computer Printers and Printer Ink

A major study released by the Institute found that consumers were being lured into buying inexpensive printers, only later to pay substantially more for ink. In a recent ConsumerGram, we concluded that giving all consumers more information on the cost of printing and printer ink would help them to make well-informed purchasing decisions and save \$6 billion per year. However, without industry standards to help consumer know the cost of ink over the life of the printer, these savings will never be realized. In this ConsumerGram, we show the divergence in costs between printers and urge the industry to adopt a much-needed consumer labeling standard.

Lack of Information is a Market Failure

Ink is one of a handful of products that are exempt from Federal Trade Commission regulation under the Fair Packaging and Labeling Act. This means that printer manufacturers can “slack fill” their products and profit from them; and evidence suggests that this is happening today, as some ink jet cartridges contain only one-tenth of the volume that some cartridges contained in 1999. Because there is insufficient labeling on printers and cartridges, consumers do not know the true cost to operate a printer before buying one. According to a 2007 TeleNomic Research study released by the Institute, this lack of information has led to increased industry ink prices, excessive profits and high market concentration – all to the harm of consumer welfare. Moreover, better information on the cost of printing would save consumers \$6 billion per year in lower printing costs.

Divergence in Printer Costs

Consumers can save money when they can compare prices. For instance, shoppers can compare shelf labels for unit prices on brands and product sizes; and they can read the posted price per gallon before filling up their automobiles with gasoline. Yet, most consumers are completely unaware of printing costs and would be surprised to know that the cost of printing a

text page, color graphics or photos can vary considerably depending on the printer they own. Despite this variation, the cost to print is not labeled on the printer, printer box, cartridge, cartridge packaging, or retail shelf label. When it comes time to buy a printer, this omission makes it very difficult for consumers to understand the total cost of owning and operating a printer. As the table below shows, the cost of ink per page varies tremendously among different manufacturers and models. In this example, printing in black text (monochrome) could cost anywhere from 2 cents per page to 9 cents per page; printing color graphics could cost from 7 cents to 19 cents per page; and printing a 4x6 inch color photo could cost from 9 cents to 40 cents. Therefore, there is substantial variation in the cost to print a page, yet there is no easy way for consumers to know about these costs when purchasing a printer.

Printer Ink Costs Per Page (Printers Under \$150)

Printer	Monochrome	Color Graphics	4"x6" Photo	Composite
HP C4280	\$0.093	\$0.189	\$0.398	\$0.162
Epson CX8400	\$0.091	\$0.185	\$0.391	\$0.159
HP OJ5780	\$0.087	\$0.181	\$0.386	\$0.155
HP C5280	\$0.085	\$0.180	\$0.388	\$0.153
Epson CX6000	\$0.085	\$0.167	\$0.385	\$0.148
Lexmark X5470	\$0.086	\$0.168	\$0.343	\$0.145
Epson RX595	\$0.061	\$0.158	\$0.420	\$0.136
Canon MP160	\$0.066	\$0.137	\$0.238	\$0.112
Cannon MP470	\$0.065	\$0.133	\$0.233	\$0.109
Brother MFC-440CN	\$0.047	\$0.108	\$0.270	\$0.094
Cannon MP520	\$0.035	\$0.089	\$0.161	\$0.069
Kodak ESP-5	\$0.022	\$0.069	\$0.094	\$0.048
Kodak ESP-3	\$0.021	\$0.069	\$0.093	\$0.047

Composite assumes a 50-40-10% mix of monochrome, color and 4x6 in. photo printing, respectively. Printers and ink costs selected from "Cost of Ink Per Page Analysis: United States," QualityLogic, October 2008.

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If consumers do not print very often, these differences in cost are a matter of pennies. Yet, for the average consumer or home office worker, these few pennies can add up to hundreds of dollars over the lifetime of a printer. In fact, knowing the printing costs at the time of purchase could be more important than knowing the price of the printer itself.

The Cost of Ownership

Printers are durable goods – that is, products that are not simply purchased and then immediately consumed, but instead used for several years. As such, it is important to know the full cost of ownership – both the upfront costs to buy the product and the annual or lifetime cost of operation. To make consumers aware of the full cost of ownership at the point of sale, new automobile price stickers provide estimated annual costs of fuel. Similarly, Energy Guide labels on new appliances, like refrigerators, show an estimated annual electricity cost to run the appliance. In both cases, the operating cost is much lower than the initial purchase price. In contrast, over the useful life of a printer, the cost of printing can overwhelm the cost of the printer itself. Simply put, consumers require better knowledge of the lifetime cost of ownership in order to make well-informed choices – not blind ones.

The table below shows the initial retail costs for inkjet printers priced under \$150 and their 3-year printing ink costs, and confirms that the cost of the printer pales in comparison to the cost of the ink. For example, the 3-year cost of ink could be more than seven times greater than the cost of the printer itself. Therefore, retailers that show only the cost of the printer are hiding the real cost of ownership.

Life Costs: What Consumers Pay To Use A Printer Costing Under \$150

<u>Printer</u>	<u>Printer Price</u>	<u>3-Year Ink Cost</u>	<u>3-Year Life Cost</u>
HP OJ5780	\$134.99	\$695.25	\$830.24
HP C4280	\$99.99	\$728.55	\$828.54
HP C5280	\$129.99	\$689.85	\$819.84
Epson CX8400	\$99.99	\$713.70	\$813.69
Epson CX6000	\$99.99	\$665.10	\$765.09
Lexmark X5470	\$99.99	\$650.25	\$750.24
Epson RX595	\$129.99	\$610.65	\$740.64
Canon MP160	\$89.99	\$502.20	\$592.19
Cannon MP470	\$99.99	\$490.50	\$590.49
Brother MFC-440CN	\$129.99	\$421.65	\$551.64
Cannon MP520	\$149.99	\$311.40	\$461.39
Kodak ESP-5	\$149.99	\$216.00	\$365.99
Kodak ESP-3	\$129.99	\$213.30	\$343.29

* - Suggested prices will vary depending on discounts and manufacturers rebates. Printers and ink costs selected from "Cost of Ink Per Page Analysis: United States," QualityLogic, October 2008 and assumes 1,500 pages printed per year.

Need for an Industry Standard

Market alternatives convey value to consumers, but the value of competition and product alternatives for consumers is attenuated if they have insufficient information to choose rationally among them. An industry standard is needed and should be adopted by manufacturers and retailers alike. One solution is to simply add an annual or (as shown below) a 3-year cost of ink on shelf feature cards in stores that sell computer printers. This simple solution creates no appreciable industry costs, but it would enable consumers to compare printers and judge for themselves whether printer and ink costs matter. This will likely lead to increased competition and potentially lower prices for consumers.

ACME
1-2-3 Printer
SPECIFICATIONS

Speed B/C: Up to 32 ppm/Up to 30 ppm
Speed 4x6 (Draft): 28 seconds
Connectivity: USB, PictBridge, Bluetooth
Other Features: CCD scanner, Card Slot
 And Dedicated 4x6 Photo Tray

Estimated 3 - Year Ink Costs **\$819**

\$79.99

Summary

Just as consumers search the shelves for labels and feature cards for information on most goods that they buy, providing consumers with better information on ink costs would allow them to make better choices upfront that suit their printing needs and minimize their costs for doing so. That, in turn, would provide added discipline in the marketplace and encourage price competition that would result in \$6 billion in lower costs for the combined purchase of printers and corresponding ink.

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