



Low-cost printer specialist Lexmark is now making a concerted bid for the more techno-savvy user. But when Wendy Brewer visited its cartridge production plant she found it less than keen to show exactly what's involved in producing a Lexmark printer

Supplier profile:

Lexmark

Lexmark has built up a reputation for producing low-cost inkjet printers to satisfy both the home user and the digital photography enthusiast. During the boom years of the late 1990s, Lexmark increased its customer base – in part by getting PC manufacturers to bundle its inkjets with home computing packages.

Despite easing itself into our consciousness in this way, as a brand name Lexmark still has much work to do, even though every second large UK firm uses at least one of its products. Rival printer companies Epson and HP have nearly 100 years of experience between them; junior Lexmark has racked up 20.

Lexmark came into being when the then-ailing IBM inkjet printer division was bought by a US investment firm in March 91. The company remained privately owned for around five years, opening sales offices in Singapore, the UK and the US, but continued to work alongside IBM.

It was first floated on the New York Stock Exchange in November 95 and chose this route to public ownership over the Nasdaq in a bid to be perceived as a grown-up company. Shares were initially issued at \$20 a piece. It has since gone from strength to strength, officially

positioning itself as a \$4.1bn company by 2001 with total earnings of \$2.11m.

One thing that sets the company apart from its more established competitors is that it owns its intellectual property, developing almost all the parts inside its printers itself. "We spend millions on research and development to stay ahead of the market," says Paul Dullaghan, managing director of the company's Scottish plant. "Our quick-drying ink formula is our secret, which allows us to print pages faster."

It seems clear that the company exists on such secrets. Its research and development budget, silicon supplier and the inside of its plants are all shrouded in mystery. Lexmark believes this keeps it ahead of the field.

All's rosy in Rosyth

Lexmark's inkjet cartridge manufacturing plant is based in the picturesque town of Rosyth, Scotland, while the printers themselves are made in Mexico and Singapore. Built in 1996 the Rosyth plant covers 10,000sq ft (a size the company, for some reason, asked us not to reveal) across a 15-acre site and is operational 24 hours a day.

The plant looks like something out of a science fiction novel, with special ultraviolet lights to protect the silicon and circuitry contained inside the printer chips. Because of this, most of the factory was off limits during our visit and there was a strict no photography policy in those parts we were allowed to see.

Each cartridge contains circuitry that tells the printer how much ink to release according to how many pages have to be printed and the type of document involved. This circuitry is placed on a sheet of silicon supplied by a 'secret' external company to create a chip.

Once the chips have been sealed on to the plastic cartridge casing it is just a matter of filling it with the correct amount of ink. "We have significantly reduced the number of people involved in this process, with the machines now taking over many of the manual jobs," says production director Alan Spiers.

A colour cartridge, for example, contains two slots: one for black ink and one for coloured. "The machine measures the precise amount of ink so that each cartridge is the same," says Spiers. The cartridges are then sent through a series of tests to ensure the ink is flowing correctly. Those that fail the test are sent back down the production line to be refilled and the error fixed.

"The cartridge is the brain of the printer," says Spiers. "We would never recommend that customers buy refills from external sources because this can



have an adverse effect on the performance of the printer."

The complexity of the cartridge is the reason for their cost (around £30 each). "It is not only the ink which needs refilling but also the circuitry which needs to be updated to tell the printer how to perform," adds Spiers.

Unlike many technology companies, Lexmark believes in owning rather than renting all its buildings, and hiring its own staff as opposed to taking on contract workers. This means that despite financial peaks and troughs the company maintains a full workforce and generally continues production at the same rate throughout the year.

Lexmark employs around 1,000 people, 86 percent of whom live within a 10-mile radius of the plant. The average employee age is 35, which is much higher than you would expect for this environment.

Lexmark boasts that it retains its staff for longer than other IT manufacturing companies because it invests in them and is committed to their ongoing training.

"Once a person is certified to a certain standard we start training them on something else," says Spiers. "This creates a happier working environment in which where people are less likely to get bored and leave. It means we retain loyal and happy staff," he claims.

Green lights

Equally unusual is the fact that the firm's commitment to the environment shines through. Long before the EU's

Waste Electronic and Electrical Equipment directive was even thought of Lexmark was already developing safe ways of disposing of its waste, for which it received awards from France and the US. "We realise we have a duty to our surroundings," explains Spiers.

One way the company carries out this duty is by minimising the number of cartridges scrapped during post-production testing. The Rosyth plant produces millions of printer chips each year but scrap rates are extremely low. Lexmark puts this down to the skill of its workforce and the development of more accurate technology.

Finished cartridges are shipped straight to the manufacturers on a build-to-forecast ratio, so there is no stock left sitting around the factory floor. Any excess piles up at the printer manufacturing plants.

Service economy

Lexmark's customer services department is spread across its two plants in Dublin and its head office in High Wycombe, Buckinghamshire. The latter employs around 150 people onsite and includes both its consumer and business divisions. Customer support is funded internally although, as with other specifics, the company was not prepared to reveal how much it invests each year in this area. Support is funded and managed through the sale of warranties as well as directly through printer sales.

The local-rate call centres supply customers with support for all technical problems and are manned by around

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30 full-time customer contact agents who receive general customer service training. Although they do not have technical knowledge they do have access to several technical staff members to resolve more complex issues that might arise: "99 percent of our software calls are fixed over the phone in the first instance," says Lexmark's customer services director Nick Sawbridge. "[But only] approximately 20 percent of hardware calls are fixed over the phone."

The company receives around 5,000 calls per year. "The majority are simple fault-related issues, such as users putting the paper into the machine wrongly. This is good news in a sense because it means we can resolve calls there and then," says

Lexmark timeline

- 27 March 91 **Lexmark opens as an IBM spin-off.**
- 11 July 91 **Announces first products: IBM Personal printer series II and IBM 4226 Dot Matrix.**
- 22 October 92 **Lexmark launches first inkjet printer, the IBM Colour Jet PS4079.**
- 15 November 95 **Lexmark floats on New York Stock Exchange.**
- 4 November 96 **Offers industry's first sub-\$200 dual-cartridge inkjet printer.**
- 25 November 97 **Lexmark offers industry's first sub-\$100 colour printer.**
- 6 October 98 **Launches first two-in-one printer to the market, allowing editing, printing and information storage without the need for a PC.**
- 27 March 01 **Lexmark's 10th birthday. Company celebrates increase in market share over past three years despite a general market downturn.**

Sawbridge, who added that missed calls are kept to a minimum due to the setup and number of telephone operatives.

Warranting attention

Lexmark's customer services department does not generate revenue but, despite this, Sawbridge thinks it is important it does not switch to a paid-for support system or begin installing premium-rate phonelines. "People have paid for a product and entered into a relationship with the company and are therefore entitled to help and support from that company wherever possible," he says.

According to Sawbridge, the company's warranties "offer what European guidelines demand" by covering consumers for the necessary two years. But they also rely on the helpline as the warranty holder's first port of call. Corporate and small business customers have their own dedicated helpline which tends to deal with more complex technical issues.

Despite his insistence that Lexmark has almost no problems when it comes to customer service, Sawbridge agrees that the industry as a whole could be doing more. "In the corporate environment support is pretty good, but for home users it's specifically prepackaged."

Playing to your strengths

Lexmark currently accounts for 14 percent of the UK's inkjet market but rival Epson claims a massive 51 percent. "We don't enjoy the same brand awareness as Epson or HP, partly due to the fact that we only sell printers whereas HP is known for several products," says assistant product manager Darren Mangan. "But the benefit of that for us is that all our energies go into printers. We don't try to play the field."

Lexmark has been making some headway in the multifunction device



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Nick Sawbridge, Lexmark customer services director

No business like small business

In a bid to shake off its 'corporate supplier' image Lexmark has launched its small business programme with an all-inclusive print service. Set up in September 02, Lexmark's extranet site offers SMBs (small and medium-sized businesses) advice on choosing printers to suit their needs.

"This is really a starting point. It saves our time and theirs to have the information they need there at their fingertips," said product marketing manager Amanda Bibbey. This is backed by a local-rate dedicated helpline, manned by employees trained on those printers and issues that affect the business market.

The company already has over 1,200 resellers interested in the programme. "We want to have 1,000 resellers signed up by the end of the year," said Bibbey. "Resellers are vital to reaching our chosen audience. They are the people who speak to customers and know what they want, so obviously the more there are the better." The company has relied on the independent research of IDC which looked at what SMBs want.

"Price is the first consideration," said Bibbey. "Businesses need to know that they are getting value for money and, most importantly, that there is the right support for them when they need it. We want to use our placing in the corporate market to instill confidence in SMBs about using our products."



market, achieving a 44 percent market share. It puts this down to its mass marketing campaign and tradeshow, which the company believes has changed the way people view all-in-one devices and made consumers recognise that such devices are available.

"I think people think of us at either end of the scale and now we are focusing on that middle section," says Mangan. "Consumers are buying printers at an average of one every two years, which means the so-called beginner market is pretty much non-existent. It is these experienced users we need to make aware of our technology and presence."

Breaking cover

Lexmark doesn't sell its products direct to the consumer except in the case of its

corporate customers (it currently provides one in two UK corporates with equipment), relying instead on such retailers as PC World, Jungle.com and Dabs.com. It sees these as its "eyes and ears" to the consumer market. This limits possible conflict between itself and its suppliers.

Mangan believes Lexmark has "come on in leaps and bounds this year" in terms of product support and technology. "We offer the highest resolution and ease of use at the cheapest price," he claims. What seems most crucial to the company's progress is building productive and lasting relationships with its customers. "We need to develop brand loyalty and encourage customers to come back to us as we recognise that users demand more than a manufacturer," Mangan adds. ■