



## MANUFACTURING FOR HP IS A WORLD-CLASS ENGAGEMENT



"Jabil helps us with scalability, getting into new geographies and developing new supply bases and eco systems. I feel very good about the strong support HP gets both at a very senior level and from the people managing our account."

**Kok Chwee Lui, Vice President, HP Imaging & Printing Manufacturing Operations.**

*HP Inkjet and Laserjet printers are world leaders, and for five years, Jabil has played a crucial part in their manufacture*



With a product portfolio that spans printing, personal computing, software, services and IT infrastructure, HP is among the world's largest IT companies with revenues that totalled \$94.1 billion for the four fiscal quarters ended January 31, 2007.

It serves more than one billion customers in over 170 countries on six continents and has approximately 156,000 employees worldwide.

Through its Imaging & Printing Group (IPG), HP is the leading global supplier to both businesses and consumers with an offering that includes printer hardware, all-in-ones, digital imaging devices such as cameras and scanners, and associated supplies and accessories. In Q1 2007, HP recorded net revenue of \$25.1 billion of which \$7 billion came from IPG.

With a huge installed base, HP Inkjet and Laserjet printers are world leaders and for five years, Jabil has played a crucial part in their manufacture. It is an important partnership for both companies and is marked by two important

milestones – the manufacture of Jabil's 10 millionth HP printer and a world-leading move into its first ever Electronic Manufacturing Services facility in Vietnam.

## SCALABILITY AND GEOGRAPHY

Jabil manages the entire supply chain for HP, everything from the manufacture of the printed circuit boards (PCB) to the assembly of the printers and distribution. This takes place from the Jabil Wuxi plant, two hours west of Shanghai, where the output is currently some 900,000 printers a month and destined for markets in Asia, Americas and Europe.

Its engagement with HP started with the manufacture of Laserjets but today, Jabil concentrates more on Inkjet for which it provides two categories of service. One is the manufacture of finished goods, boxed up with an ink cartridge and ready to go to the customer and the second is for regional fulfilment.

A further facility in Vietnam will be added Summer 2007 and Jabil

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**- Kok Chwee Lui, Vice President,  
HP Imaging & Printing  
Manufacturing Operations.**

*Maintaining quality and hitting delivery times are prime requirements for HP*



Belo Horizonte, located close to Sao Paulo in Brazil, manufactures a further 100,000 units a month for the local market.

## **SUPPLY AND DEMAND**

HP printers are similar in nature to a fast moving consumer good, and as such, the demand can change from moment to moment. Jabil's processes ensure that this demand is fulfilled.

So why does HP outsource the manufacture of its main product lines and what does it look for in a partner?

"We take a wide view on the overall position to see how we can best utilise our resources and capital," said Kok Chwee Lui, Vice President, HP Imaging & Printing Manufacturing Operations. "We think that we can contribute more not by investing in real estate such as factories but by using capable partners like Jabil who are already very focused on doing this job.

## **LOWER COST**

"At the end of the day, an outsource partner like Jabil is able to invest in more factories when we need them, in

more lines and more direct labour to run those factories because this is their core business. Their ability to manage the scalability is a lot better than we would be able to do within HP.

"Secondly, there is the cost of going into new areas which HP would not want to invest in itself. On our own, we probably would not be investing in an HP factory in Vietnam but Jabil is making that happen because it can start small and then bring in other customers.

"Also, Jabil can drive material costs down by pooling the spending power of its many different customers, which helps us to bring new supply bases or new Eco systems into the equation if we need to. If we were on our own we would just have our own suppliers but working with Jabil gives us the benefit of their combined supply base."

## **GLOBAL STRENGTH**

HP IPG has adopted a 2+2 manufacturing strategy which is a healthy combination of two smaller and two larger suppliers. As one of its larger suppliers, it wanted a partner that was financially sound and had a strong global footprint. With a \$9 billion a year electronics

material spend Jabil met these requirements. It had also been working for HP in the LaserJet business with good results.

The challenge HP throws down to Jabil is to constantly drive down costs, which is one of the reasons for the move to Vietnam where labour is cheaper. Maintaining quality and hitting delivery times are prime requirements and Jabil also has the flexibility to cope with product design changes which happen every six to nine months. Managing staff to cope with business seasonality is another Jabil strength that is appreciated by HP.

“In addition to the good service they provide, we like working with Jabil because of the close attention and focus that their higher management gives to the HP business,” said Kok Chwee Lui. “They are very committed to building a serious business partnership with HP. For example, when we thought about going to Vietnam, we went to Jabil and had the conversation and they quickly embraced it. They saw it as a strategy and were committed to making it a success.

“As well as the strong support at senior level, I also feel very good about the fact that the people managing the account continue to keep in touch and the communication channels between Jabil and HP are always open.”

## CUSTOMER PROFILE

With a product portfolio that spans printing, personal computing, software, services and IT infrastructure, HP is among the world's largest IT companies. Its revenue totalled \$94.1 billion for the four fiscal quarters ended January 31, 2007.

## INDUSTRY

IT solution provider

## BUSINESS CHALLENGE

- Constantly drive cost out of HP's Inkjet printer manufacturing
- Support HP in maintaining its world leading position
- Sustain quality, delivery and flexibility

## JABIL SOLUTION

- Support the customer's decision to move into a cost-effective site by tapping on Jabil expertise and global footprint
- Leverage on Jabil's US \$9 billion a year electronics spend for further cost savings

## CUSTOMER BENEFITS

- By leveraging on Jabil's core competencies global supply base and economies of scale HP benefits from scalability and a stronger purchasing power
- Ability to move into new territories, such as Vietnam, without HP having to invest in its own factories and staff
- Extended resource in developing HP's new supply base in new territories
- Jabil has the scalability and ability to cope with product changes and seasonality



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Jabil Circuit, Inc. 10560 Dr. Martin Luther King, Jr. Street North, St. Petersburg, FL 33716 U.S.A.

This case study illustrates how one Jabil customer uses Jabil services. There is no guarantee of comparable results.