Photo Marketing Association
Conference and Trade Show

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Conference Report and Industry Overview

Contents

I. Awards

Product of the Show: Epson PictureMate Printer
For general impact on a critical market need, Epson's PictureMate Printer wins the Product of the Show award. With the ability to almost match WalMart's price per print, this printer offers portable printing that doesn't require a computer. A breakthrough product that addresses a critical issue for the industry.

Consumer Digital Camera of the Show: Kyocera SL300RT
Even though it is at the absolute bottom of the acceptable resolution range at 3.2 MP, this camera has completely eliminated one of the biggest problems with early consumer digital cameras: startup and shutter lag. The camera is essentially instant on and has only .07 second shutter lag, better than some professional digital SLRs. In addition, it can shoot a continuous 3.5 frames per second until it fills up the memory card or runs out of battery power, whichever comes first.

Professional Digital Product of the Show: Canon D1 MKII
At 8MP and 8.5FPS no other pro level SLR can touch the resolution and speed of Canon's new digital SLR. Aimed at sports and social event shooters, this body boasts a new generation of DIGIC processor, a new generation of flash exposure control, improved control ergonomics and most importantly for shooters everywhere, much improved battery life.

Small Booth Award: Sprin USA Busjet Pro603
The most interesting emerging technologies and product opportunities are always found in the small booths that line the walls and fill the unusual spaces of a trade show. This year's winner is a very affordable ink jet printer from South Korea that can print on any surface, i.e. metal, wood, and ceramics as well as the typical organic materials such as paper. Its most unusual feature is that it has a "depth of field" at the print head of about 1/3". This means it can print around corners and into irregular surfaces. Imagine a corrugated metal roof with a perfectly sharp image printed on it. Previous processes that printed on ceramic tiles yielded retail prices to the consumer of $100 - $150 per square foot. The production costs of the same process with this printer are under $3 per square foot.

II. Industry Trends

Digital Adoption
2003 marked the first year that digital cameras outsold traditional film cameras in the United States. At the end of 2003 31% of U.S. households owned digital cameras. It is estimated that by the end of 2004 42% of U.S. households will own digital cameras. Film sales and processing have declined in recent years and several major film and camera manufacturers, such as Kodak, have announced plans to end film research and development.

Takeaways:
1. The move to digital is well past the early adopters and the tipping point. Digital is now mainstream.
2. Now is a great time to pick up a good deal on a traditional film camera.

Get the Pictures Out of the Box
One of the greatest challenges of the industry is getting digital images printed. As digital photography moves beyond households with computers and printers and extends past early adopters and technically proficient users, this problem becomes paramount. The industry is making moves to ease this transition by providing digital printing kiosks and services at their traditional one-hour photo lab and drop-off locations.

In addition, digital photography is now moving into the domain of the family's Chief Memory Officer, typically the mother of the family. This segment demands prints of images, and will drive adoption of easy to use printing services at multiple retail locations (grocery stores, coffee shops, etc.) as well as viable low cost, easy to use home printing solutions. 78% of women feel that preserving memories is the primary purpose for owning a camera. In order to preserve the memories, they will need to print their images.

Takeaways:
1. The industry is still struggling to help consumers get their pictures printed. Multiple avenues are being pursued by various manufacturers and coalitions. A sleeper here is Kodak, who has the most mature and holistic approach to this challenge.
2. The CMO will drive significant change in the existing digital photography market as it relates to printing and archival quality prints.

Fixing the Lag Time
A major problem for consumer digital cameras has been the lag time between power on and ready to shoot, pressing the shutter button and the picture being taken and being ready for the next shot. Some early digital cameras took almost a minute to power up and could take seconds between pushing the shutter button and the camera taking the shot. These lag times were unacceptable for consumers and recent digital cameras have reduced all of these times. Current and near term chip sets for digital cameras are effectively eliminating lag time. For example, Kyocera introduced a camera at the show, the SL300RT, that has effectively no lag time. It is essentially instant on and has a miniscule .07 seconds shutter release lag time.

Takeaways:
1. This problem has been essentially eliminated by technological advances.
2. Consumers who own early models that have lag time issues will be purchasing new digital cameras that do not exhibit this issue.

The Dirty Little Secret
Every industry has one, and digital photography's has been the extremely high cost of home printing. While its easy to buy a photo quality printer for $100, it is a shock to most consumers to learn that ink and photo quality paper quickly add up to $.50 to $2.00 and more per print. Many consumers feel they have been suckered by the printer manufacturers when they learn it will cost $60 to $70 to buy new ink cartridges for their $100 printer and $1 per page for photo quality paper.

As more and more consumers discover they can get their digital prints made for $.24 at WalMart, it will be difficult for the printer manufacturers to retain their current high profit margins and growth rates. Hewlett Packard, in particular, has high-risk exposure in this regard, as the ink and paper division provides almost all of HP's operating profits.

To counter the move by consumers to return to retail printing, Epson introduced at PMA the PictureMate printer. It is a compact, easy to use printer that does not require a computer to produce photo quality prints. The best news is those prints costs as little as $.29 apiece.

Takeaways:
1. Consumers will be less and less willing to pay exorbitant prices for home printing.
2. Some manufacturers are highly exposed to a customer backlash in this area and corresponding erosion in profits.

Market Segmentation
Moving forward the digital photography market will begin to separate into distinct tiers. As the climb in digital resolution surpasses that of traditional film, inexpensive devices and cameras will come to dominate the lower ends of the market. A likely segmentation over the near to mid term is:

1. .25 to 3 megapixels: Cellular phones with camera capabilities, $0-250.
2. 3 to 6 megapixels: Very inexpensive digital still cameras and "all in one" camcorders capable of digital video and high resolution digital still photography, $100-700.
3. 6-15 megapixels: Prosumer category cameras in the $500-1,500 range.
4. 8-80 megapixels: Professional SLR, medium format and large format cameras and digital "backs." $3,000 - $50,000.

The most dynamic segment is photo cellular phones, a.k.a. camphones. The largest digital camera distributor in the world is Nokia, a cellular phone manufacturer. It is estimated that over 3 billion digital photos will be taken in 2004, with the majority of them being captured by camphones. It is projected that there will be 250 million camphones in use in 2004 and by 2006 2/3rds of all cellular phones will have camera capability.

The current photo finishing retail market is very unprepared for camphone digital photo file receipt, manipulation and printing. This segment represents a large opportunity, especially in the area of kiosks in high camphone use environments, i.e. schools, malls, etc.

The Unsolved Opportunity
The train coming down the tracks in digital photography is disaster recovery. For all their faults, boxes of old pictures do not spontaneously self-destruct like computer hard drives do. Within the next 24 months the industry will face a crisis opportunity as consumers search for an affordable way to store their digital files safely, conveniently and reliably. There was only one small startup at the PMA show addressing this issue. After interviewing their CIO I was left with the conclusion that the segment is wide open for opportunity as these people had little to no idea what industrial strength data storage, access and recovery is all about.

III. New Consumer Digital Cameras

Considering the number of manufacturers represented at this show, there is no possible way that I can give you an accurate or comprehensive description of all new digital photography products. I will instead highlight some significant new consumer digital cameras.

For more complete show coverage, hit your local newsstand for digital photography magazines in the next couple of months.

Digital Cameras

One of the biggest problems the industry faces is consumer confusion over the proliferation of rapidly changing products from a plethora of manufacturers. Because digital photography is evolving at a rapid pace, products change quickly. Because digital photography offers opportunities to companies with digital expertise, but are new to photography, new entries to the market are everywhere.

As an example, here is a list of leading companies, the number of new cameras introduced at PMA and their total number of different digital cameras sold in the U.S. market:

Manufacturer	New	Total
Canon:	4	11
Casio:	1	5
Fuji:	2	8
Hewlett Packard:	1	6
Kodak:	4	15
Konica Minolta:	3	7
Kyocera:	1	8
Nikon:	4	11
Olympus:	6	16
Panasonic:	1	5
Pentax:	4	10
Samsung:	12	16
Sony:	5	13
Totals:	**48**	**131**

As you can see, for the consumer this is an overwhelming number of choices from a wide array of familiar and new names. This onslaught of new and revised products is not expected to end soon. It is expected that new product introduction cycles will remain short (as little as three months) for the next two years until resolution and price points stratify.

In the meantime, consumers will gravitate toward trusted channels and make selection based on fundamental features and price point. As evidence, Best Buy sells more digital cameras than any other retailer in the United States. Digital cameras have probably moved from early adoption by advanced technology users to commodity items sold on price point to the general public faster than any photographic product in history.

Significant New Consumer Digital Cameras:

Sony:
T1: 5 Megapixel (MP) 3X optical zoom. Very compact, stylish design. Huge 2.5" LCD panel for image preview and review. Downside: Uses Sony's proprietary memory stick storage device. $549.95 MSRP

Panasonic:
DMC LC1: 5 MP, 3X optical zoom. Prosumer, F2-2.4 Leica lens. $1,599 MSRP.

Casio:
EXP600: 6MP, 4X optical zoom, 2" LCD, long battery life, $649 MSRP.

Pentax:
S4I: Fits in an Altoids box, smaller than a credit card, 4MP, 3X optical zoom, 1.8" LCD, $349 MSRP

Nikon:
5200: 5MP 5.5 ounces, automatic red eye reduction, $499 MSRP
8700: 8MP, 8X optical zoom, Prosumer, $999 MSRP

Samsung:
Yuca3: 3MP 3X optical zoom, MPEG4 video, 30 frames per second (FPS) VGA quality, available in 3 colors, 30 Avatars, direct download images to cellphones, $249 MSRP

Olympus:
C-8080: Magnesium metal body, dual card slot XD & compact flash memory, Prosumer $999 MSRP
Stylus 410: all weather camera, 4MP, 3X optical, $379 street

Kodak:
DX7630: 6MP 3X optical zoom, 2.2" LCD, Schiender lens, on camera favorites memory allows you to carry your favorites with you at all times to share, $499 MSRP
CX7430: 4MP 3X optical zoom, 1.8" LCD, tag images for email sharing from camera dock, $349

Konica Minolta:
Z2: 4MP 10x optical zoom, $449
XG: 3.2MP 3x optical zoom, ultra compact, non-extending zoom lens, .8 second startup, $299

Fuji:
A340: 4MP 3x optical zoom, $249
A330: 3MP 3x optical zoom, $199

Canon:
Powershot S1: 3.2MP, 10x optical zoom, Image stabilized lens, $499
Powershot Pro1: 8MP, 7x optical zoom, L series lens, 28-200mm, Prosumer, $999

Kyocera:
SL300RT: 3.2MP 3x optical zoom, instant on, .07 second shutter lag, can shoot at 3.5 frames per second to capacity of memory card, no shutter lag, $499

IV. About the Author

Douglas Hackney is a published book and magazine author, with over 100 magazine articles and columns to his credit. Beginning as an award winning writer at age 13, he became a professional commercial photographer at age 16 and continued a media career that included roles as a director of film and video, stage manager, producer, executive producer and production manager. He then pursued the development of computer technology, creating a computer graphics technology and an accompanying market segment. His most recent chapter was participating in the creation of an information technology sub-segment known as Business Intelligence. Mr. Hackney has keynoted and chaired industry conferences worldwide, lectured at leading MBA programs, and is well known for his communication skills and forward oriented insight.

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