The Continuing Evolution of the Online Photo Services Market

Competition or “Co-op”etition between Pureplay and Retail Online Photo Services?

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Internet Imaging Trends
Nearly a third of Internet users are online photo service members

“Have you ever uploaded photos to an online photo service?”

Source: InfoTrends’ 6/05 Online Photo Services Survey
Conversion of users to customers is slow

“What are the top three reasons why you upload photos to an online photo service?”
(top five answers)

- To share photos online with friends and family: 66%
- To get prints from my digital images: 31%
- To backup my photos in case my PC crashes: 27%
- To store or archive photos long-term: 24%
- To organize or manage my photos: 24%

Source: InfoTrends’ 6/05 U.S. Internet survey
U.S. online photofinishing revenue expected to reach $284M in 2005

Source: InfoTrends' 2005 Online Photo Services Forecast, preliminary
Two main online photo service vendor segments, determined by sales channel

Pureplay vendors
Primary sales channel is online

Retail vendors
Primary sales channel is bricks & mortar
At least for now...consumers prefer pureplays

“Have you ever uploaded photos to an online photo service?”

- Yes: 29%
- No: 68%
- Don't know: 3%

Pureplay: 78%
Retail: 14%
Don't know: 8%

Source: InfoTrends' 6/05 Online Photo Services Survey
At least for now…consumers prefer pureplays

“Have you ever uploaded photos to an online photo service?”

Top Online Photo Services Used

1. Snapfish
2. Kodak EasyShare Gallery
3. Yahoo! Photos
4. Walmart.com

Source: InfoTrends’ 6/05 Online Photo Services Survey
Mind share doesn’t necessarily equal market share

Source: InfoTrends’ 2005 Online Photo Services Forecast, preliminary
Key differences between pureplay and retail online photo service users

- Pureplay users are motivated by sharing
- Pureplay users select based on sharing tools
- Pureplay users are less active photographers
- Retail users are motivated by printing
- Retail users select based on print price
- Retail users are more active photographers
Who is the online photo service user?

**Pureplay**
- Mean age: 39
- 57/43% female to male
- HH income: $59,600
- 46% have children
- 77% broadband
- 69% primarily use DSC
- 61% first-time DSC users
- 41% family memory keepers
- 48% primarily print at home

**Retail**
- Mean age: 42
- 58/42% female to male
- HH income: $56,500
- 53% have children
- 74% broadband
- 53% primarily use DSC
- 57% first-time DSC users
- 47% family memory keepers
- 39% primarily print at home
Retail users are 65% more likely to upload photos for printing

“Why do you upload photos to an online photo service?”
Base=446 online photo service users

Source: InfoTrends’ 6/05 Online Photo Services Survey
Retail users seek low print prices

“Why did you choose this site as your primary online photo service?” (top choices)
Base=446 online photo service users

- Easy to use: Total 43%, Retail 42%, Pureplay 46%
- Online sharing features: Total 39%, Retail 19%, Pureplay 45%
- Low print prices: Total 63%, Retail 34%, Pureplay 32%
- Superior print quality: Total 15%, Retail 14%, Pureplay 21%
- Low shipping costs: Total 15%, Retail 15%, Pureplay 16%

Source: InfoTrends’ 6/05 Online Photo Services Survey
How does the activity level differ? – capture and upload

DSC photos captured per month

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Retail</th>
<th>Pureplay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Photos</td>
<td>29</td>
<td>48</td>
<td>37</td>
</tr>
<tr>
<td>Captured</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uploaded</td>
<td></td>
<td></td>
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</tbody>
</table>

Percent of photos captured that are uploaded

- Retail: 34%
- Pureplay: 37%
- Total: 35%

Source: InfoTrends’ 6/05 Online Photo Services Survey
How does the activity level differ? - print

Source: InfoTrends' 6/05 Online Photo Services Survey
How does the activity level differ? - print

“About how many times per year do you order prints online?”
“How many prints do you order each time you order prints online?”
“How many prints have you ordered online in the past 3 months?”

Base=209 respondents who have ordered prints online

Source: InfoTrends’ 6/05 Online Photo Services Survey
Two main delivery methods for online print orders

1. Net-to-Mail
Any print order placed online that is delivered via mail, regardless of what site the prints were ordered from (e.g. Walmart.com, CVS.com, Shutterfly.com, Snapfish.com)

2. Net-to-Retail
Any print ordered online that can be picked up at a store (e.g. Kodak EasyShare Gallery to CVS, CVS.com to CVS)
Who provides what?

<table>
<thead>
<tr>
<th></th>
<th>Pureplay online photo service</th>
<th>Retail online photo service</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net-to-Mail</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net-to-Retail</strong></td>
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**Pureplay online photo service**

- **Few:** Kodak EasyShare Gallery (CVS)
- **All:**
  - Sony ImageStation (CVS, Ritz, Wolf)
  - Snapfish (Walgreens)

**Retail online photo service**

- **Few:** 1-hour (Costco, Ritz, Walmart)
- **Most:** Next day

**Net-to-Mail**

**Net-to-Retail**
Net-to-Retail is a new concept for pureplay vendors – and for users, too

“Does your online photo service offer local retail pick-up?”

Base=Respondents who have ordered prints online

Source: InfoTrends’ 6/05 Online Photo Services Survey
What is convenient to one isn’t necessarily convenient to the other

“How much value do you place on the following?” – Please distribute 100 points across the 5 factors.

Base=209 respondents that have ordered prints online

<table>
<thead>
<tr>
<th>Pureplay users</th>
<th>Retail users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not having to make a trip to the store to pick up prints</td>
<td>Not having to pay shipping for my photos</td>
</tr>
<tr>
<td>39.6</td>
<td>25.2</td>
</tr>
<tr>
<td>Not having to pay shipping for my photos</td>
<td>Being able to pick up my photos when I am running errands</td>
</tr>
<tr>
<td>26.8</td>
<td>22.8</td>
</tr>
<tr>
<td>Receive my prints within 1 day</td>
<td>Receive my prints within 1 hour</td>
</tr>
<tr>
<td>12.3</td>
<td>21.0</td>
</tr>
<tr>
<td>Receive my prints within 1 hour</td>
<td>Receive my prints within 1 day</td>
</tr>
<tr>
<td>12.1</td>
<td>19.2</td>
</tr>
<tr>
<td>Being able to pick up my photos when I am running errands</td>
<td>Not having to make a trip to the store to pick up prints</td>
</tr>
<tr>
<td>9.2</td>
<td>11.8</td>
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</table>
Net-to-Retail seems more compelling for retail online photo service users

“If given a choice by your online photo service, which would be your preferred method for receiving prints?”

Base= Respondents who have ordered prints online

**N=141 Pureplay users**

- Mail prints to my home or work address: 83%
- Don’t Know: 7%
- Pick up prints at a local retail store: 10%

**N=32 Retail users**

- Mail prints to my home or work address: 22%
- Pick up prints at a local retail store: 72%
- Don’t Know: 6%

Source: InfoTrends’ 6/05 Online Photo Services Survey
Net-to-Mail scores the highest marks for convenience and affordability

“Which do you think best fits each description…?”
Base= 370 respondents who have ordered prints online

<table>
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<th></th>
<th>Retail</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net-to-Mail</td>
<td>Net-to-Retail</td>
<td>Net-to-Mail</td>
<td>Net-to-Retail</td>
</tr>
<tr>
<td>Less time and effort</td>
<td>85%</td>
<td>9%</td>
<td>64%</td>
<td>34%</td>
</tr>
<tr>
<td>I get my prints faster</td>
<td>44%</td>
<td>43%</td>
<td>22%</td>
<td>76%</td>
</tr>
<tr>
<td>More convenient</td>
<td>84%</td>
<td>10%</td>
<td>58%</td>
<td>39%</td>
</tr>
<tr>
<td>More affordable</td>
<td>57%</td>
<td>24%</td>
<td>33%</td>
<td>55%</td>
</tr>
<tr>
<td>Better quality</td>
<td>42%</td>
<td>8%</td>
<td>26%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Source: InfoTrends’ 6/05 Online Photo Services Survey and 9/05 Retail Photo Printing Survey
Shipping fees restrict online photofinishing

“Speaking specifically about the digital photos that you do print, why aren’t you printing all of them online?”

Base= 209 respondents who have ordered prints online

1. I already do all of my digital photo printing online
   - Retail: 31%
   - Pureplay: 24%

2. Don’t want to pay shipping charges
   - Retail: 34%
   - Pureplay: 28%

3. Printing at home is better for most of my needs
   - Retail: 16%
   - Pureplay: 21%

4. Online sites are more expensive than printing at home
   - Retail: 13%
   - Pureplay: 17%

5. I’m just learning to use online photo services
   - Retail: 22%
   - Pureplay: 11%

Source: InfoTrends’ 6/05 Online Photo Services Survey
Recommendations

- Competition for the print market is cut-throat. Position online photo services as more than a destination for digital prints, and get people to do more with their photos.
  - Long-term storage
  - Creative projects

- Be more creative with shipping fee structure.
  - Free shipping promotions versus print price promotions
  - Tiered pricing based on volume of prints ordered

- Identify the best target customers. Recognize that family memory keepers are the primary audience in terms of volume of users, but do not exclude alternative audiences that could generate more revenue per user.

- Get the word out. Lack of general awareness and understanding of online photo services limit market growth.
  - Free and easy to use (in most cases)
  - Safer than hard drives

- Make the online experience easy to use for sharing, printing, and organizing.
Thank you!

Questions?