

Who pays for below-cost prints?

March 9, 2018

It's probably mere co-incidence, but following two weeks of punishment on the stock exchange, in which its market capitalisation has dropped by around \$700 million, Harvey Norman has dug one of its hoary old 5 cent Fujifilm print promotions out of the crypt.



6x4" DIGITAL PRINTS™

ONLINE, MOBILE & IN STORE

Only 5 cents each*

8 DAY SALE!

The advertisement features a stack of 6x4 inch digital prints. The top print shows two young girls looking at a small object together. The text is arranged around the stack, with the price and sale duration highlighted in callouts.

Fujifilm's photo specialist customers will be disappointed that the Australian photo print market continues to be trashed by one of Fujifilm's favoured customers even following the departure of Dave Marshall as COO.

The offer is available on both the Harvey Norman and Domayne websites (for which copyright is claimed by Fujifilm Australia) as well as in store. But how does it all work? Do Fujifilm customers indirectly assist the retailing efforts of the Harvey Norman property/retailing conglomerate they compete against when they pay their paper and chemistry bills? For instance, how much does it cost Fujifilm to develop and run these large and complex e-websites for Harvey Norman (and Domayne, and Big W)? If it didn't support the mass merchants to this extent, maybe Fujifilm Australia could afford to bring in some premium paper stock for specialists and labs, as enjoyed by Fujifilm customers in other markets.

– So what's the real cost of a 4x6 print from a wetlab? Independent photo specialist supplier iPhoto has put some thoughts and figures together and come up with the following factors influencing wet lab print costs:

- Labour;
- Power costs;
- Wastage – print & chemistry (returned orders, paper waste, chemical and maintenance issues estimated at 10 – 20 percent of materials costs;
- Time used for daily print calibration, batch changes, magazine loading, QC Issues, Control Strips etc;
- Maintenance and Spare Parts (estimated at \$2K PA);



PENTAX K-1

The advertisement shows a black Pentax K-1 DSLR camera with a lens attached, set against a white background.



Master the art of LOW LIGHT PHOTOGRAPHY

FIND OUT MORE

The advertisement features a photograph of a tree at sunset or sunrise, with the text 'Master the art of LOW LIGHT PHOTOGRAPHY' overlaid. A 'FIND OUT MORE' button is at the bottom.



NORITSU
Face the NEXT™
QSS Green
A new page in the QSS story

The advertisement shows a green and white product box for NORITSU QSS Green, with the text 'A new page in the QSS story'.



FILM PROCESS

B&W, C-41, E-6, Slide Mounting
Minox, 16mm, 110, 126, 35mm,
120, 220, 4x5, 8x10

The advertisement features a dark background with the text 'FILM PROCESS' in large yellow letters and a list of film types and sizes below.

- Air-conditioning / Heating or cooling costs (up to \$3K and rising);
- Trade waste agreements/ Silver recovery/ spent chemistry removal costs.

'Including all of the above could add approximately 50 percent to the actual paper and chemistry material only costs,' said iPhoto managing director, Stuart Homes. (Note that we haven't even added the significant factor of leasing costs to this list.)

He said that if the silver halide paper and chem was sourced at a 'very sharp' price, the materials alone work out to 7.6 cents per print. Yet Harvey Norman's pre-GST retail price is around 4.5 cents per print.

Factoring in the hidden costs above he said the real cost is more like 12 cents a print. Add GST to that and the retail price would have to be over 13.2 cents per print.

So let's take Harvey Norman's 180 stores and make a very conservative *educated guess* that over the 8 days of the promotion, the average sale per store was a modest 12,000 prints. Then assume the loss that *someone* made on the 5 cent price was, going on Stuart's figures above, an equally modest 8 cents. That would be 2,160,000 prints x \$0.08, which equals a loss of \$172,800. How sad and stupid.

'So,' asked Stuart, 'Who is paying for the "Real" Costs of this Lost Leader Promotion?'

- Well if it's not Harvey Norman, and it's not Fujifilm, I wonder who else it could be?

- **Keith Shipton**

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2 THOUGHTS ON "WHO PAYS FOR BELOW-COST PRINTS?"

[Mark Cumming](#) on [March 9, 2018 at 2:33 pm](#) said:

Fuji Sucks, one has to wonder how long Fuji and Harvey Norman will stay in business, i pray in a market correction it takes both of them to the cleaners and the WASTE TIP! Never to be seen again!

Reply ↓

[Rod Lawson Kerr](#) on [March 9, 2018 at 2:51 pm](#) said:

Having worked in both retail and wholesale management roles in photographs over the past forty years, out of it now, I have seen this sort of practice become very common. I well remember that favourable pricing Kodak used to offer the mass merchants, so much so that I could buy my Super 8 stock cheaper from a mass merchant than from the Big K and still make a decent margin without inflating my retail price.

Obviously we as small retailers paid a higher price so that the manufacturer could balance out their profit margins, so I make the same assumption in the Harvey Norman case. The dedicated photo retailer will be paying for the cut price strategy that appears to be part of Fuji's business plan. There is no way HN will show a loss on the promotion, and you can bet your bottom dollar Fuji won't be offering such a sweetheart deal to the photo industry any time soon. Gosh, did someone say I was being a cynic? Never!

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SIGMA ROLLS OUT FULL SONY E-MOUNT RANGE

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Ricoh has announced the Pentax K-1 Mk II, a 36.4-megapixel full-frame February 22, 2018 DSLR camera with improved Pixel Shift technology and low-light performance with a maximum ISO 819200. The Pixel Shift Resolution System II has been improved to capture finer details and ... [Continue reading →](#)

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