

2012 through the rear-view mirror...

December 13, 2012

As we rush (some of us with a slight limp) towards the end of the year, it's an interesting exercise to reflect back on the major stories and events in what has been an extraordinary year in photo retailing.

We've seen: JB Hi Fi do a Grecian 2000 (go grey and come back again); the lunatics take over the asylum at Eastman Kodak; (some/most) local camera prices driven down to enable Australian retailers to compete against the new offshore-online channel; Dick Smith out of photography, and 10-cent print merchant Harvey Norman in trouble; a very good but barely-break-even photo show; 41-megapixel camphones; and Epson and Canon follow HP into the retail photofinishing category.

And that's just the first six months...

JANUARY

We started off the year with [an opinion piece](#) by industry stalwart Alan Small (Taree Camera House) who argued that there was much to be positive about moving into the new year. 'Christmas trading just passed was satisfactory for most photo specialists, if not exciting,' he wrote, 'On that basis alone, those in the photo business are likely to be quietly optimistic and positive about 2012.'

He contributed [another story](#) in February in which he argued that rumours of the death of the photo specialist (*Dave?*) were way off the mark.

- Alan - haven't hear from you for a while - what are your latest musings?

Stewart Pickersgill moved over to CR Kennedy from Tasco, following Ricoh to its new distributor.

We noted a relative lack of accessory products available in Australia compared with the US market - many of the Hot Picks at PMA@CES weren't available locally.

Kodak's Chapter 11 bankruptcy prompted new distributor IPS to [reassure retailers](#) that there would be no threat to supply as a consequence.

We ran a story on the [report by market analysts CSLA](#) which was the first step in Woolworths off-loading the Dick Smith chain (for a song - \$20 mil). This had a direct impact on photo retailing, with a large number of Fujifilm minilabs in Dick Smith stores taken out of action. The story also touched on the financial difficulties at Harvey Norman, which was to become more of a theme as the year progressed.

The report, from Macquarie Securities, 'Who Will Be The Last Man Standing?' (so that's where he Gerry got it from!) noted that claims that Harvey Norman franchisees' cost of doing business had risen to be more than the gross margins charged at rival retailer JB Hi-Fi, and the franchise fees were unsustainable. This was proven right when Harvey Norman's annual report revealed an increase of [over \\$50 million in support to franchisees](#). Watch this space in 2013.

FEBRUARY

We reported on the success of the [Leica Boutique](#) opened at Michaels in Melbourne and Foto Riesel in Sydney prior to Christmas.



Stuart Homes, IPS, stepped in to reassure Kodak customers that paper and chemistry supply was assured.

PhotoCounter Best Shots



Birdsville Bakery by Margaret Brown

-We present outstanding images from the recently-completed [Tamron Best Shots competition](#)



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Ryan Williams (Adeal), Peter Michael (Michaels CVD) and Mark Cummins (Adeal) at the official Leica Boutique opening in Melbourne.

The CP+ event in Yokohama was preferred to the new PMA@CES as a platform for new photo product announcements in 2012, with the Nikon D800 and the Olympus OM-D among the highlights.

A couple of regular readers [contributed some thoughts](#) on what appeared to be beginning of the demise of Kodak – an ongoing story through the year.

A week or two after, Kodak announced that it was [discontinuing supply of 'dedicated capture devices'](#) – digital cameras, pocket video cameras and digital picture frames. Said it was to 'improve margins in the capture device business', leaving the Kodak as we once knew it with: Photographic film and paper; photo kiosks and digital dry lab systems; Camera accessories and batteries; and Consumer inkjet printers. These were progressively off-loaded as the year progressed.

Business as usual, noted local Kodak managing director, Adrian Fleming.

CIPA proved to be incorrect by degree in [predicting](#) a modest (under 1 percent) drop in compact camera sales (it was more like 30 percent) and not quite so incorrect in anticipating the level of increase in DSLR sales.

See [further report](#) on CIPA figures published in November.

A [report later that month](#) from the US also indicated that mirrorless interchangeables were getting a real foothold in the market.

HP and Photo Direct announced that the auto-duplexing Photosmart ML2000D minilab printer was now available in Australia. Will we see a successor to this machine?

- Adeal appointed Keith Millar to its board.
- Pentax announced the mirrorless Pentax K-01.
- Epson announced a sub-\$400 A3+ printer.
- Canon Inc's president, Toneyji Uchida, 70, announced he would resign in March to be replaced by 76-year old chairman and CEO Fujio Mitarai.

MARCH

In the first week of March, we reported on the [41-megapixel Nokia 808 Pureview](#) describing the supercamphone as a 'landmark product in digital imaging'.

We also ran a story on new Sony Cyber-Shot releases, with a focus on the [ongoing price differential](#) compared to US prices: 'Back-of-the-envelope calculations indicate that, on average, consumers purchasing from local retailers are still paying a 30-percent-plus premium, ex-GST, for Sony digital compacts,' we observed.

Warming to the theme, in one of our March editorials we identified Sony and Panasonic as distributors who hadn't reduced their prices measurably in response to online offshore competitors. CR Kennedy (Pentax, Ricoh) and Canon on the other hand, were 'giving local consumers no incentive to place an order with some offshore business.'

Harvey Norman [first half figures came in](#) with falls in sales and a big drop in the



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BEST BRANDS IN IMAGING

contribution from franchise fees.

Queensland-based CE and imaging retailer WOW Sight and Sound, called in the receivers.

In November 2011, JB laid down the challenge to Canon and Nikon by selling those camera brands on a parallel-import basis as well as stock supplied by the local authorised distributors. In March, Nikon [cut a deal](#) to get rid of the grey product, lowering some prices and introducing a two-year warranty. The new arrangements benefitted all Nikon authorised retailers.

We also ran an [extended interview](#) with an upfront Darren Ryan (*right*) from Canon, which touched on this issue and much else. Well worth reviewing.

Peter Michael responded to Mr Ryan's interview, tackling the issue of high price for cameras in the Australian marketplace: 'For decades manufacturers have successfully price discriminated in our market compared to other countries because they have been able to keep the markets sufficiently separate.' But that model won't work any more.

GfK released a report in which it claimed the Photo category (mainly cameras) had fallen over 15 percent from 2010 to 2011, with a big dip in the critical fourth quarter – somewhat attributable to the floods in Thailand. '2011 will surely be remembered in Australia as the year of the smartphone', noted GfK.

Australia was first cab off the rank in launching the [Dreamlabo 5000 high volume inkjet minilab](#). (aka 'The Future of Photo Printing'). Canon also [announced a reduction in prices](#) on 25 popular DSLRs and compact cameras, and at the same time adopted a policy of no longer providing RRP for publication, directing journalists to street pricing as a more realistic gauge.

We led the last newsletter in March with [a story on 'The Digital Show'](#) in Melbourne, noting that the annual photo equipment exhibition would have 'bigger stands, but less of them' reflecting the decision by leading CE brands not to participate this year. The non-participation of the big CE companies was a severe and costly blow to IDEA's vision for a digital lifestyle show rather than one for photo enthusiasts.

- Kodak withdrew from slide film and sells Kodak Gallery to competitor Shutterfly;
- Canon marked its 75th anniversary;
- Westfield added a carbon tax charge to its retail leases;
- APS established Brands Australia to manage its newly-acquired Polaroid distributorship.

APRIL

We [broke the news in Australia](#) that a range of leading CE and camera brands in the US had introduced a price-setting regime, the 'Unilateral Pricing Policy', to force online retailers in particular not to trash retail pricing *in the US market*. This has had an ongoing benefit to Australian retailers *and* distributors as it reduced the price differential between locals and US-based online retailers.

Panasonic made the first of many announcements that the interchangeable G5 was a' comin'. (And so was Christmas!) When it finally arrived at the end of the year, local RRP for G5 with kit lens is \$999. US pricing is US\$599. What the?

The following week we ran a bit of a [reality check on local pricing](#), comparing the local ad US pricing of a (random) range of popular new releases and discovered that with a couple of notable exceptions, the outrageous differentials of 30 percent or more local retailers had been grappling with were indeed shrinking. Except for Pentax, though, they have never disappeared. Then there's the GST...

The Interim Report of the Low Value Parcel Processing Taskforce revealed that low value (under \$1000) parcels from overseas have grown 36 percent over the last two years, and over 20 percent between 2010 and 2011

We ran an [extended interview](#) with (relatively) new



The new Pentax K-01 mirrorless interchangeable was listed at \$100 less from some Australian retailers

IDEA executive director Katherine Singson in which she indicated that the association was totally focussed on the 2012 Digital Show, with little else on the agenda in the short term.

than from B&H when we did our price check.

We also revealed the ad spend for that show was an impressive \$200,000 – which works out to around \$20/head for consumer attendees.

We also flagged PMA's intention to embark on a new strategy of engaging with consumers: 'PMA's brief is to educate,' said Peter Rose. 'We are now going to concentrate more on educating consumers as well.'

He said that after several years in which support for some of its educational initiatives for PMA members had been indifferent and waning, it was time for a new approach. The first manifestation of this new approach – and search for a new source of revenue – was an educational roadshow with US Photoshop guru Gerry Courvosier. The financial results and feedback were sufficient to encourage PMA to continue with a consumer education program in 2013.

Our lead story in the last week of April [looked at a significant piece of research](#) on mobile phones and 'showrooming', in which we argued it wasn't an unmitigated disaster if retailers exposed their smartphone-equipped potential customers to some good selling skills. Someone even agreed with us!

- Troubled electronics giant Sony announced that cameras would be a core line as it restructured;
- Nikon introduce a wi-fi enabled DSLR, the D3200.

MAY

APS affiliate Brands Australia launched a new passport photo system for the digital age – ID Station's world-first '[Biometrics Business in a Box](#)'.

In mid-May we [broke the news](#) that Dick Smith was not only shutting a bunch of stores but was de-commissioning all its Fujifilm minilabs. (But we are still waiting for confirmation from Woolworths corporate affairs people!)



The same week Epson announced it was intending to show its entry into retail photofinishing – the 6-colour Surelab SL3000, at The Digital Show the following month.

CR Kennedy announced Australian availability of the long-awaited Eye-Fi range of wireless SD cards, following shortly after by Photo Direct with its EzShare range. (Would that the market had these cards about two years prior, as the new wave of wi-fi cameras have reduced the demand for wi-fi cards.)

The [Canon CDLI](#) ('digital lifestyle index') for the second half of 2011 indicated an 8 percent decrease in the fixed lens (compact) category, offsetting a 26 percent increase in DSLRs, amounting to an overall digital camera volume decrease of 5 percent.

Canon's Jason McLean identified price deflation as a real kick in the guts (not his words) for camera retailers: "When you consider that since 2003 the Average Selling Prices for digital cameras and plasma TVs have fallen 68 percent and 90 percent, respectively, we can see just how much the market has moved.'

Later in the month the somewhat similar [GfK Temax report](#) echoed that trend and GfK noted that even within the failing market for compacts there were some bright spots, notably outdoor cameras and superzoom models.

The end of the month coincided with The Digital Show, which we rated as one of the [best events for keen photographers ever held in Australia](#). Unfortunately, that wasn't the main aim of IDEA, which fell short of putting on the show it aspired to because of the non-participation of big CE and IT companies.

The [punters liked it](#), too, and in our Readers Poll, a photographic equipment show beat a travelling trade show and a digital lifestyle show hands down as the event they preferred for next year. Nonetheless, looks like we are having another shot at the 'converging digital lifestyle' approach again.

Canon announced it was moving into the photo education business with The Canon Academy.

JUNE

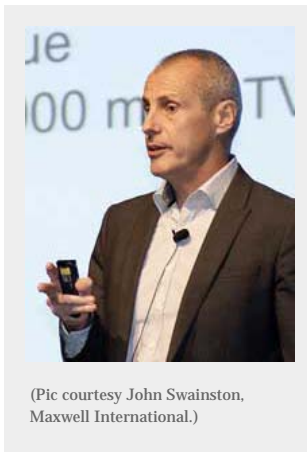
Fujifilm Australia trialled [Microsoft Surface 'coffee table' kiosks](#) in Harvey Norman stores, and 'sources' said around 100 units were to be brought into the local market over the following months. (*Note to self – follow up on this one.*)

Fujifilm Australia also partnered with Harvey Norman [to retail consumer software](#) from kiosks, with the inclusion of Adobe titles to its 'On Demand' digital media library. Fujifilm said its On Demand system was 'the future of consumer software purchasing' (*Note to self – this one, too!*)

Epson [announced that the new Epson](#)

Surelab – one of the stand-out products for retailers at The Digital Show, would have a price of 'around \$25,000' and would require little in the way of maintenance and way less power than a silver halide minilab. (This was later firmed up at \$30,000.)

Sony released details of a new flagship Cyber-shot digicam, the RX-100 with a 13.2 x 8.8mm CMOS sensor. It joined the Canon G1 X and the Fujifilm X10 to form a new category of large-sensor, fixed lens compacts.



(Pic courtesy John Swainston, Maxwell International.)

We put together [a feature based on the presentation by GfK boss Gary Lamb](#) at the PMA conference in which he describes the dramatic changes in technology retailing over the past few years and outlines a new marketplace in which an online strategy is a survival strategy.

In the same issue we looked at the [extraordinarily close relationship](#) between Fujifilm and its two biggest customers, Big W and Harvey Norman, in which those retailers websites are set up and operated by Fujifilm.

Kodak managed to get Officeworks on board for another two years with kiosks and its APEX dry printing system.

In the last newsletter for June we ran with news from IDEA that the 2013 photo equipment exhibition, apparently to carry the title 'The Digital Show' once again, was to take place at the Melbourne Convention and Exhibition Centre in September.

- Well – that's half a year in under 2000 words. We'll compete this photo industry overview of 2012 next week...

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