

# One Hour Film Processing

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One-hour photo film processing labs decreased significantly over the 1990s. Major companies entered bankruptcy, closed or diversified into other lines of business. According to the Photo Marketing Association International, by 2001, there were 3,364 independent photofinishers in the United States, down from 5,860 in 1991. The principle competitive factors for one hour processing are convenience, price, quality of service, quality of product and timeliness. Stiff competition from mass-market venues – with the convenience of “one-stop shopping” – make it imperative that photo processing businesses differentiate themselves from the mass market and add additional services for their customers such as: framing, fine art reproductions, specialty printing, digital processing, and photographic equipment. Some businesses also provide digital heirloom productions and scrapbook supplies. To stay competitive, many photo processors have invested in new and better digital technology in order to differentiate their services from the mass-market centers. Unfortunately, this requires a substantial investment of approximately \$150,000 to \$200,000, more than what many mom-and-pops can afford. Trends impacting one hour film processing include:

- Decreased expenditures due to growth in the use of digital cameras, a decrease in travel following 9/11 and the general down-turn in the economy
- Increased competition from drug stores and supermarkets (film processing) and big box retailers and the Internet (photographic equipment)
- Growth in sales of single use cameras
- Declining film roll sales

## Demographics

Married couples with children are the best customers for film processing. Married couples with children under six spend more than twice that of the average household. Married couples with older children spend 50% more than the average household.

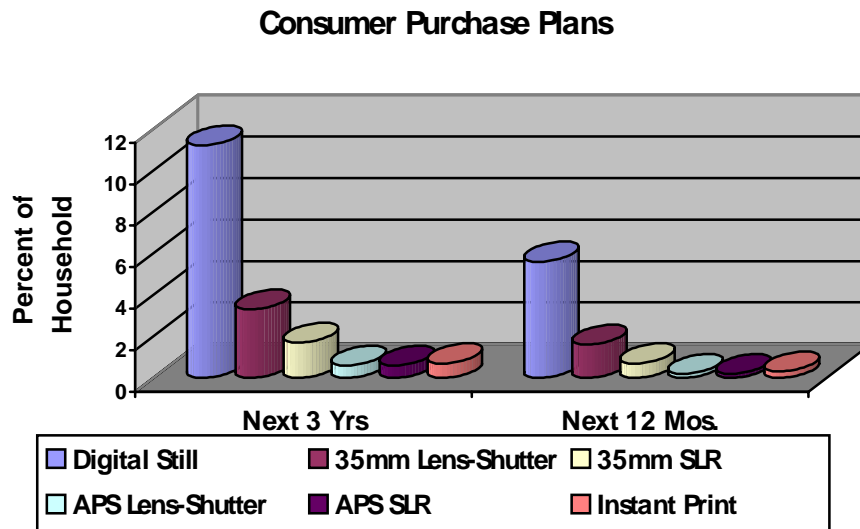
- Average household spending per year: \$31.62
- Married couples with children, oldest child under 6: \$66.69
- Married couples with children, oldest child 6 to 17: \$47.54

Seasonality: The greatest demand for film processing occurs during the Christmas season and late spring (due to graduations and weddings) and all summer (due to vacation travel), while the lowest demand takes place during the winter following Christmas.

**Industry Trends**

**Impact of Digital Photography**

The quality of digital cameras and home printers have improved recently, while at the same time, prices for these equipment have decreased, increasing the market share of digital photography over traditional analog. According to the Photo Marketing Association International, 31% of U.S. households now own a digital camera. They predict that percentage to increase to 42% by the end of 2004, based on findings from their *U.S. Consumer Photo Buying Report*. Due to these trends, Eastman-Kodak predicts a decline in volume of U.S. consumer film sales of ten to twelve percent industry wide in 2004.



Source: 2003 PMA Camera/Camcorder, Digital Imaging Survey

Due to the increase in digital camera use, photo labs will need to find new ways of servicing consumers. Some processors are investing \$150,000 to \$200,000 for digital processing equipment. With these capital investments and increased marketing, the Photo Marketing Association International predicts that by 2006, 3.1 billion more digital photographs will be printed at retail photo processing outlets than those printed at home (6.4 billion vs. 3.3 billion).

Photo labs compete with home printing, so they must show the value of digital photo lab processing in terms of both price and quality. According to Kerry Flatley of InfoTrends Research, only eight percent of digital photographs are printed at a retail photo lab; however, the cost of printing a digital photograph at a digital photo lab is actually cheaper. The cost to consumers for printing a digital photo at a retail processor is approximately 29 cents compared to an overall cost of 50 cents for printing one at home.

**One Time Use Cameras**

The bright spot in the amateur analog photography market in recent years are the boom in sales of single use cameras. Ever since Eastman-Kodak introduced the first single use camera in 1987, the sales of these disposable cameras have increased by at least seven percent every year. By 2003, 200 million single use cameras had been sold in the United States.

**Sales of Disposable Cameras in Drug Stores**

<b>Leading Brands</b>	<b>Manufacturer</b>	<b>Sales (\$1,000)</b>	<b>Units</b>
Kodak Max Flash Disposables	Eastman-Kodak	\$97,387	9,697
Kodak Max HQ Disposables	Eastman-Kodak	\$43,752	4,906
Fuji Quicksnap Disposables	Fuji Photo Film	\$41,898	4,768
Kodak Fun Saver Disposables	Eastman-Kodak	\$32,584	4,067

*Source: Information Resources Inc.*

**Film**

In the United States, the sale of camera film decreased by 20% in 2003 from 2002. Sales totaled \$598.9 million dollars in 2003.

**Top Film Brands, 2003**

<b>Top Brands</b>	<b>Dollar Sales**</b>	<b>Unit Volume***</b>
1. Kodak Gold	\$143.0 mil.	24.1 mil.
2. Kodak Max	\$97.4 mil.	9.8 mil.
3. Kodak Advantix	\$92.1 mil.	10.0 mil.
4. Kodak Gold Max	\$56.5 mil.	6.6 mil.
5. Fuji Super HQ	\$39.6 mil.	7.2 mil.
6. Fuji Superia Xtra	\$31.7 mil.	4.0 mil.
7. Kodak	\$24.6 mil.	3.3 mil.
8. Fuji Color Superia	\$19.7 mil.	2.8 mil.
9. Kodak Max Zoom	\$17.5 mil.	2.2 mil.

\*\* All private label brands combined \$41.3 mil.

\*\*\* All private label brands combined 13.4 mil

*Source: Information Resources Inc.*

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