Evolution in Future Digital Services

Kurt H. Freund IMAGING POWER Picture + Print CH-8820 Waedenswil Switzerland

Abstract

Our Imaging Industry is actually in a fast changing phase.

While the technology change from analog to digital is solved in many cases, the change in marketing and communication and especially the new consumer habits and needs are not solved at all!

The Photo industry was to long "engineering driven" and the high margin in the film and paper business leads them to protect the analog business too long.

In the same time new non photo-grapplers broke into the imaging business. This situation brings new competition and creates a lot of new opportunities with new products and services.

Photokiosk with a many additional possibilities such as ring tone and MP 3 download, advertising on Flatbed monitors will be installed in high volumes.

New "dry" micro labs without chemicals will be in trend and replace many Minilabs with chemicals.

The Photo book seems to become a new Hype.

Will this new products succeed? Yes they will if we learn to listen to the consumer!

Is the digital revolution destroying photofinishers?

The mounting importance of digital photography is leading to major upheaved in the print market. Back in the print market .Back in the analog age, everyone had to take their exposures to be processed before they could even see them. .But with digital photography, things are different. There are now all sorts of alternatives.

All the players in the photo industry have been affected by the rapid changes occurring on the photo market, and the enormous impact of digital technology has been added strain. Nowadays, consumers can view their pictures direct, without any intervention by the photofinisher whatsoever, and this offers them fare more scope for personal expression. It means that anyone who wants to earn money with photos must realign himself accordingly and be prepared to face additional competition. On the other hand, a plethora of new business opportunities has opened up. On digital photo market, chances and risks lie very close each other.

The digital print made its mark very quickly within a short time, has become the new standard in the photo industry. Nearly all market players – from the photo retailer and the supermarket with photo finisher in the background – were surprised by speed of this digital offensive. Some of them failed to react at all, some set about tackling the new situation rather aimlessly, and only a few really seized the opportunities that presented themselves.

More Exposures, less work

Let us start with the pictures taken by the consumers (the so – called B2C market). During the last two years, they overtook the analog exposures taken on conventional film.

There are two surprising developments here: Firstly, the very slow (yet constant) decrease in analog exposures despite the rapid increase in digital images. The conclusion from this is clearly that far more. Secondly, the number of digital images being captured on camera phones. This development is moving slower, but camera plus mobile phone together are already yielding high figures. With the increase of the quality of the mobile phones we will see an additional stimulation of the market.

Even though the consumers are taking significantly more pictures than they used to, it does Not necessarily mean better times for the photo industry because so many of the digitally captured images are Not being processed. In contrast to an analog picture, which is still invisible for the photographer after he has taken it, a digital image can be viewed and evaluated immediately on the camera.

Our experience shows that this is a great chance to create new service. More and more consumers want to have the prints immediately. We will see a big change in the different Channels.
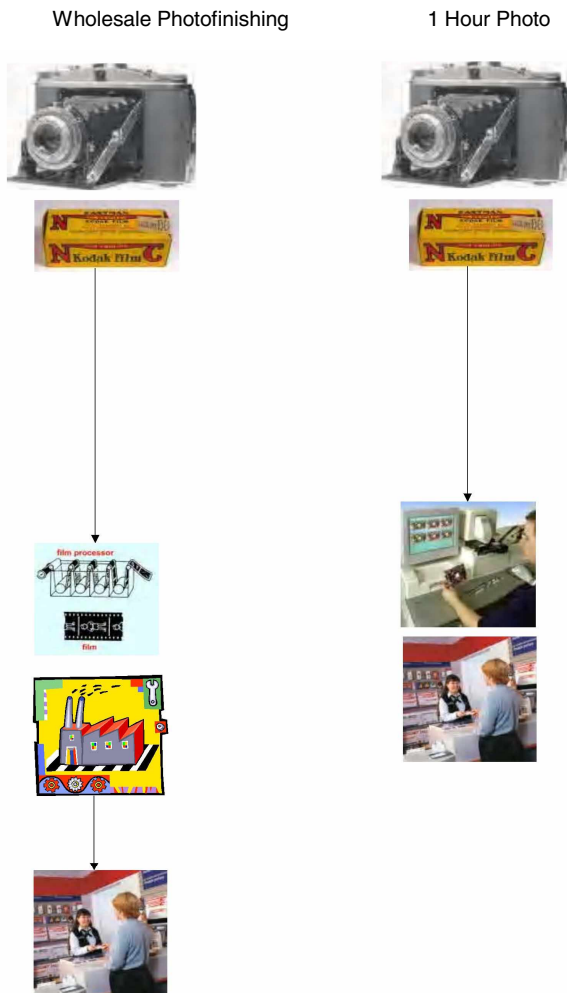
Trend Future Imaging Channels
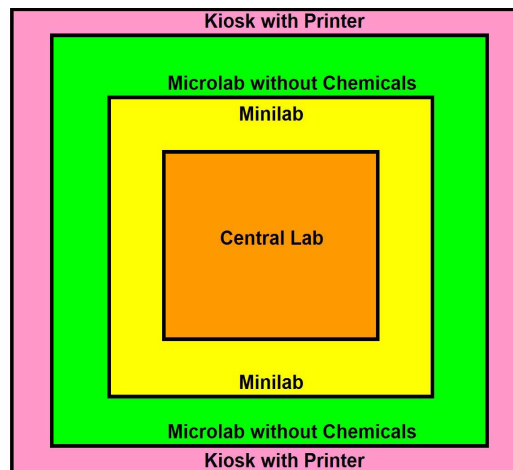
In the analog age, business models were based on the fact that the photographer was unable to see the pictures he had

taken without the help of the photofinishing process. The emphasis was on getting the prints to the customer as quickly and as easily as possible. The key to success was having a god marketing network: A photofinisher had to install a very expensive logistic network to the retail. During the "Ag+ time" we had only two main service Channels.

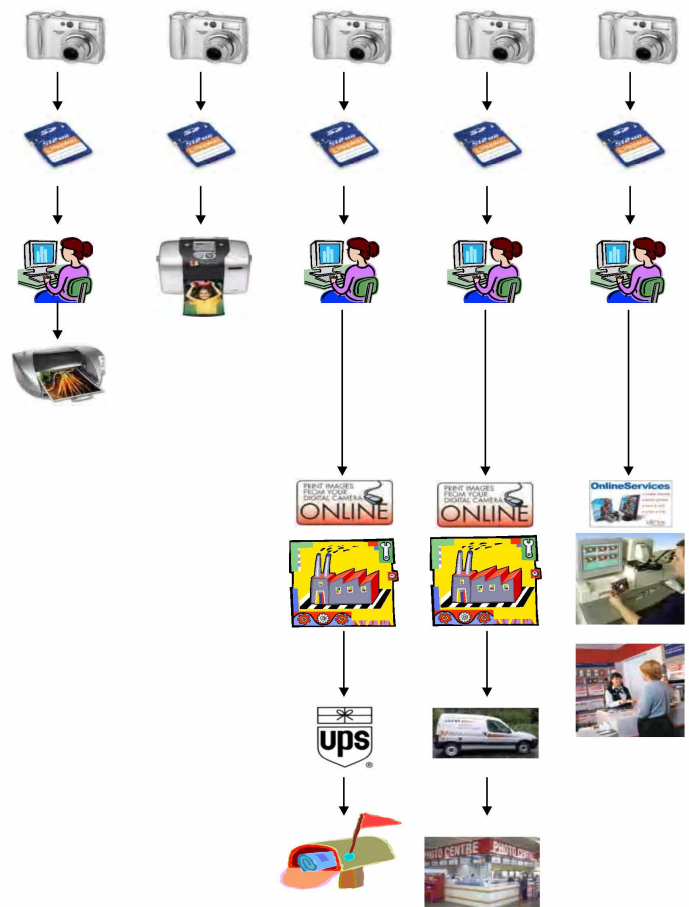### Yesterdays Service during analog time

Wholesale Photofinishing   1 Hour Photo

Unfortunately the traditional Photo industry did not informed there customers because they protected there profitable film business to long! The result of this we can see today. While six month before we still four suppliers, we have only two players today and both are much smaller now.

Today we know that our industry was to long "Engineering driven" and we have to learn from the consumers need and wishes. Fortunately many providers have learnt from this fast change and created a lot of new convenience services.

Today's services to get prints from home

Through the change to digital we can see a lot of new opportunities to print out wonderful pictures from digital files. While the home printing with computer and desktop inkjet printer was the first step we have today a great variety of new possibilities and services from home. However, this first step was for many people the only way to get prints from digital files and there is still a big potential of future consumers believing that this is the only possible way!
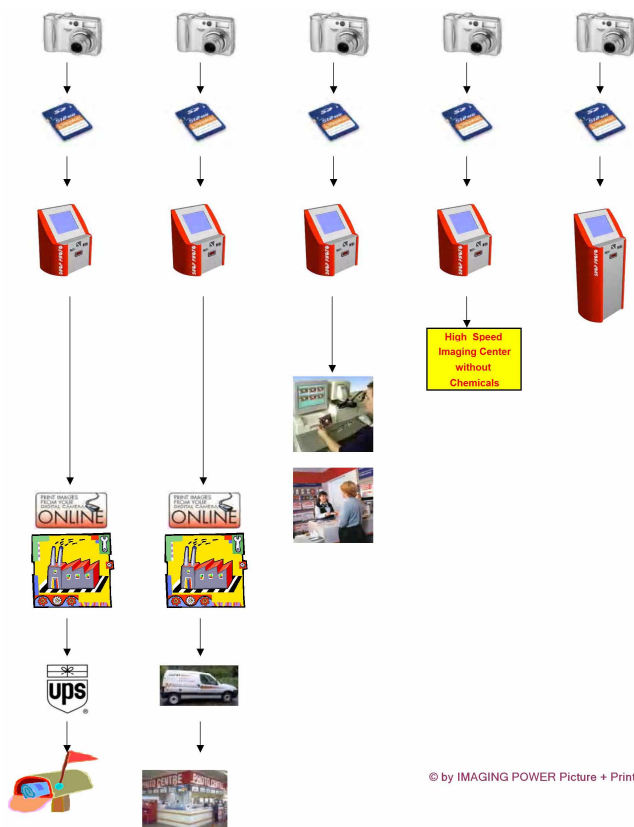
Also at P.O.S we can and will see much new convenient service for our growing market. Especially the exploding

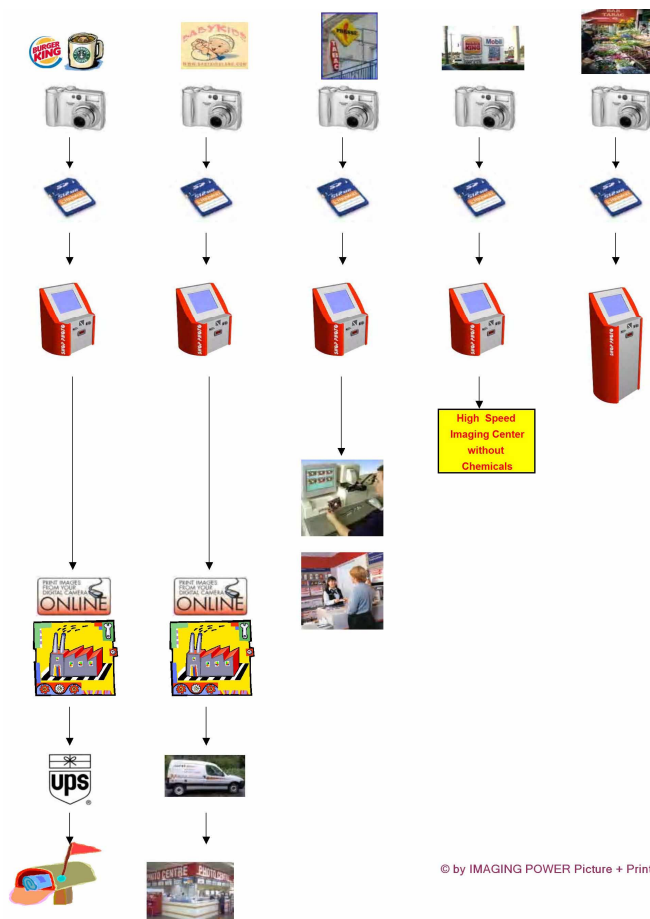market with mobile phones with cameras will stimulate the retail Kiosk service.

New Workflow's at the P.O.S

© by IMAGING POWER Picture + Print

© by IMAGIN POWER Picture + Print

and the dry and fast Microlab and imaging centers will be able also to place in non photo environments.

New Workflows on "Non Photo Environments"

© by IMAGING POWER Picture + Print

© by IMAGIN POWER Picture + Print

Non Photo Environments can be by Coffee shops, Fast-food chains, News shops, Gas stations, flower shops in many other locations.
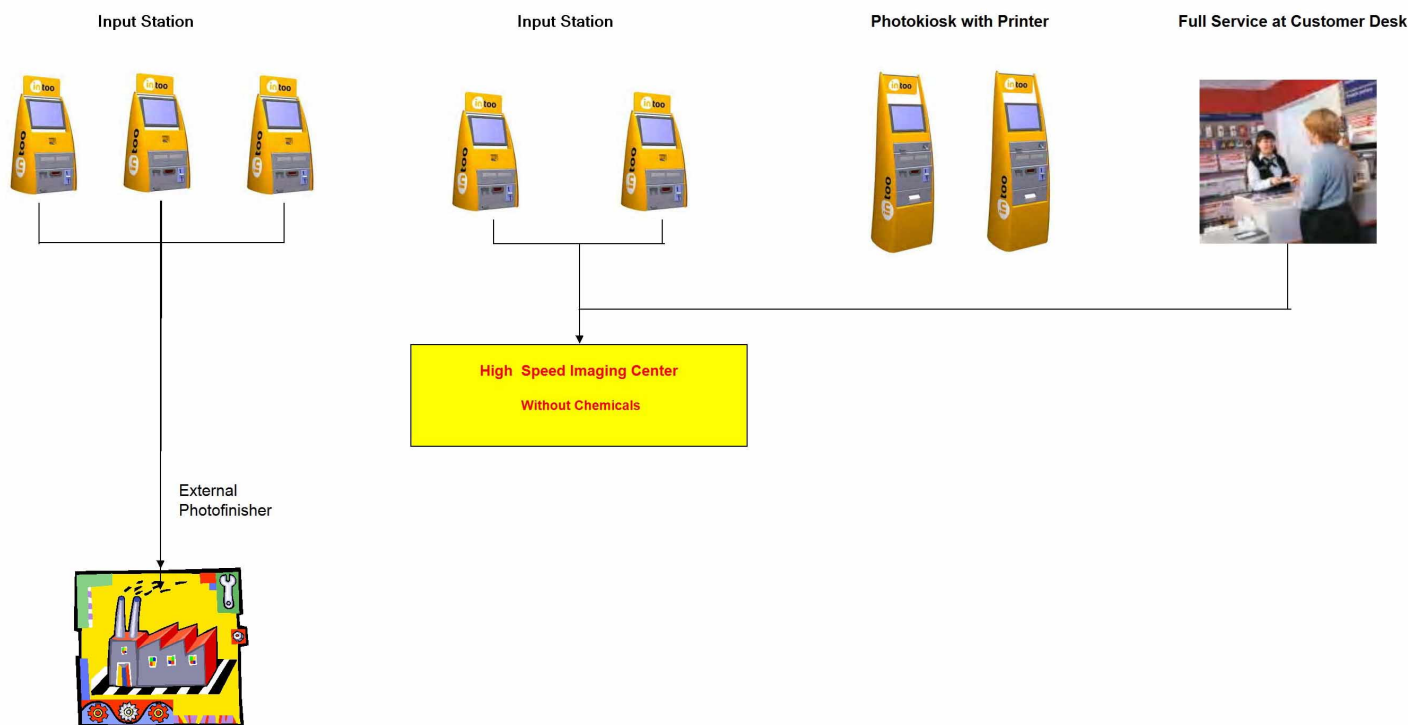
However, this sudden change in behavior and splitting in so many different services is having fatal consequences for many photofinishers and photo retailers because sales have slumped as a result. They are naturally concerned, and are asking themselves if and when they will again have more pictures to process.

These consequences will lead my mind in three main types

In addition to the increase of the different services we will see also new possibilities to get prints. The future kiosks

Of "Picture making" ; **Home Printing - Onsite-Service** and **Online Printing**. In spite of the fact that the exploding Home printing Market will be slowed through the new Onsite and Online services, it will be a very strong part in the future. I think we will see a big move from the PC-Desktop version to the 4x6 printers not using PC's anymore.

I personally believe that the photo Onsite-Service equipped with highly economic print equipment will have great chances to grow again. It will be vital to cover all different needs of the today and tomorrow's consumer.

The Future Onsite Service Operation

| Input Station | Input Station | Photokiosk with Printer | Full Service at Customer Desk |

High Speed Imaging Center

Without Chemicals

External
Photofinisher

Why high speed Imaging Center or Dry Microlab?

While Digital Minilabs still have its chance on good places with high consumer traffic or linked with download kiosks in other environments, more and more Digital Mini Labs run into economic troubles because there analog volume was dropping much faster than the digital volume was growing.

While High speed Imaging Center and Dry Microlab will be equipped with high quality Dye sub equipment which need no chemistry not skilled personal anymore. The will be multifunctional , very fast (4x6 8 – 12 seconds and 8x10 less than 30 seconds) and smart software which imaging enhancement will produce high quality prints in very short time. They will not need full integrated staff anymore and can be driven by sales personal from the shop. The lower investment, more than 70% less labor and the cessation of chemicals will make them very economic to run in low volume retail shops.

Such equipments do Not necessarily have to be installed at traditional photo establishments, they can also be positioned at other places where a lot of people pass by, such as tourist spots, theme parks, fuel stations and so on.

What will be the Future for the Photofinishing Labs?

Also Photofinisher does have chances if they listen to the consumers. The Online business will explode too. Of course we will see not same increases in different countries. To serve retailer, drugstore chains and others distributors it will be very difficult to serve them with enough profit. Logistic cost will increase very strong. And the consumers will be ready to wait for their digital pictures only if prices are very low. Again Photofinishers will have its chance if they do an extremely good job in marketing and if they are active in online finishing. Photofinishers will have also a great Future if they create new products such as the Photo book.
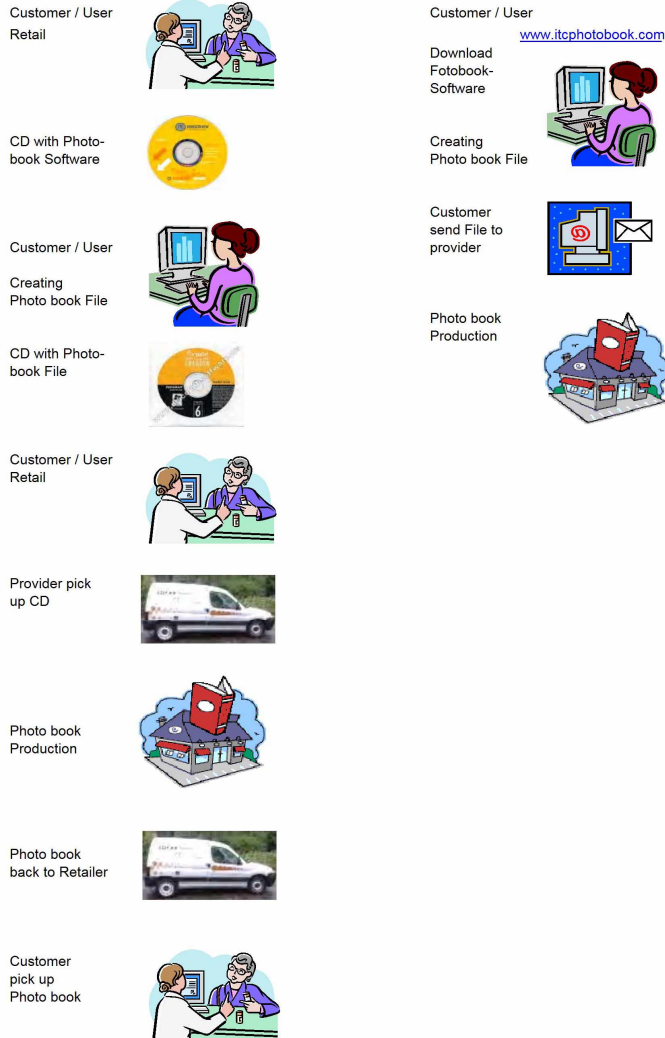
Photo books and other value-added products

At the very top of the bestseller list at the moment is the customized Photobook. With the help of a layout program and a virtual assistant, the photographer can put together a book of his own fairly conveniently, and then send the data for production, either online via the Internet or offline on a CD. In addition to the well-known photofinishers, a number of new companies are also moving into the market for

Photo book production. Anyone with a digital printing machine can also produce calendars, greeting cards etc. In many cases, he will already have the necessary equipment that a photofinisher still has to buy. Apart from that, he has experience with the production of printed articles from digital data, which many photofinishers still have to acquire. One example of this is Bookfactory, a subsidiary company

would do well in this difficult situation to consider how it will be possible in future to earn money with photofinishing.

Workflow Possibilities for Photo books

| Customer / User Retail |
| CD with Photo-book Software |
| Customer / User Creating Photo book File |
| CD with Photo-book File |
| Customer / User Retail |
| Provider pick up CD |
| Photo book Production |
| Photo book back to Retailer |
| Customer pick up Photo book |

| Customer / User www.itcphotobook.com |
| Download Fotobook-Software |
| Creating Photo book File |
| Customer send File to provider |
| Photo book Production |

The photofinishers have no alternative but to invest in new machines before the old ones are completely written off. And they have to do this in a market that does Not function in the same way as it used to do. This means that there are extra costs in what is a very uncertain earnings situation. Anyone who does not want to venture onto slippery financial ground

Author Biography

Kurt H.Freund has many years of photo-lab experience managing both technical and business activities. He has analyzed lab image processing needs in relation to emerging market trends and developments. Consequently, he created workflow procedures, including appropriate capital equipment and resource budgets, and was responsible for their implementation. While serving as Technical Director of a major Swiss amateur and professional lab group, he was often asked to test new equipment under development, evaluating its performance under actual production conditions and providing suggestions for improving performance. He also served as key account manager, initiating and maintaining new business relationships with major customers.

During his career, Mr.Freund has proactively participated in photo industry and technical associations. Besides organizing meetings in Europe and the U.S.A., including occasionally serving as chairman, he has made numerous presentations on lab operations and trends. This involvement has led to close friendships with industry members throughout the world.

In 2002 he founded his own international consulting business focused on New Business Development.

.