

The Mature Digital Camera Market: Profiting from Parts and Prints

U.S.A. Digital Imaging Review photokina 2006

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Automotive
Beauty
Consumer Technology
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Toys
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Not just another Dog and Pony Show

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Point-of-Sale & Consumer Data

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NPD tracks and reports on two different data sources
for a complete market view

Point of Sale Data Tracking



Consumer Data Tracking



Agenda

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- Key Findings
- Sales Trends
- Consumer Profiles
- Channel Distribution
- Opportunities

Key Findings

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- Digital camera sales continue strong momentum in 2006
 - Repeat buyers will dominate in 2006 but new buyers continue to enter

- Majority of digital camera sales are in channels with limited sales assistance
 - Manufacturers and retailers must collaborate to educate consumer on imaging solutions

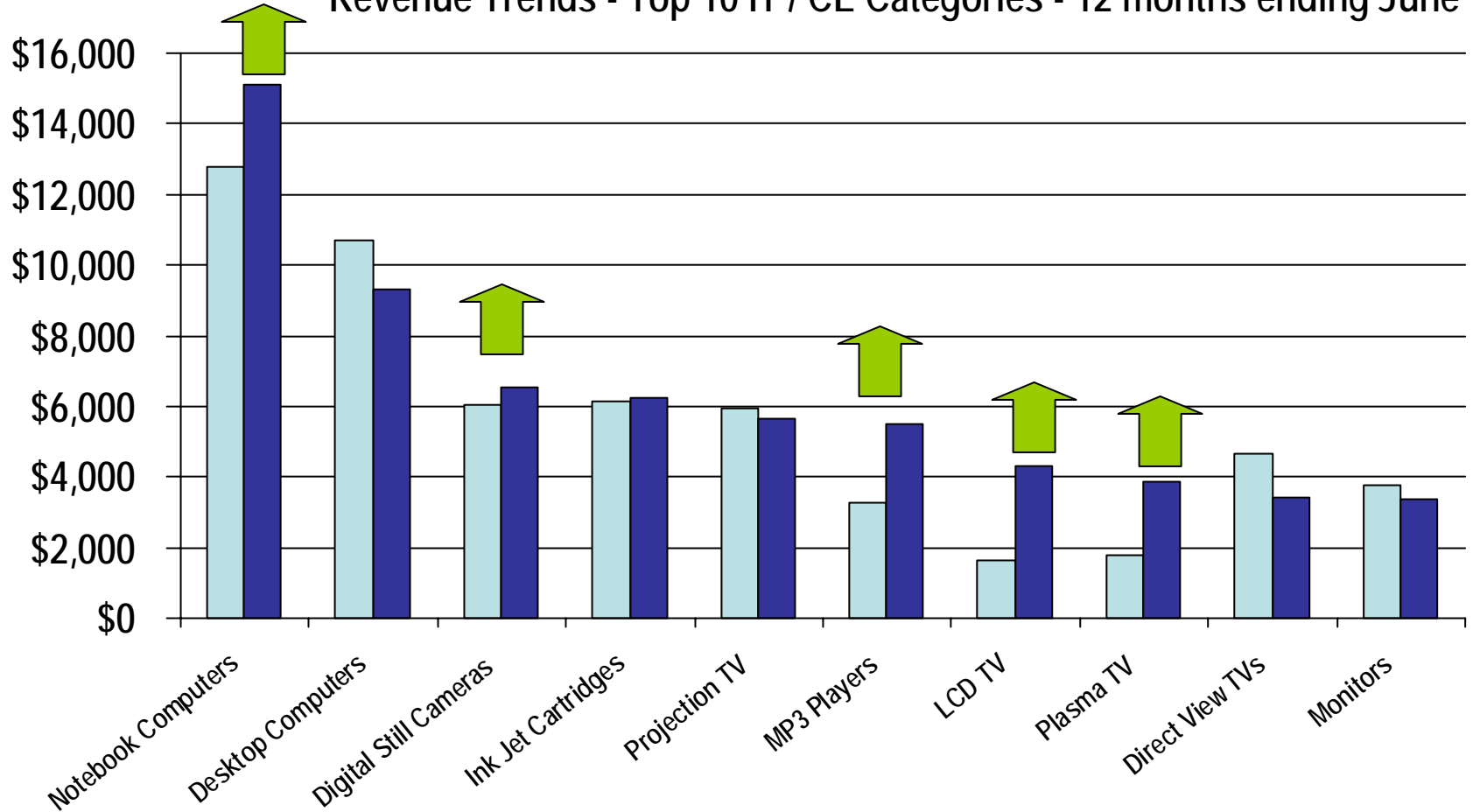
- Accessories and printing will be the basis for profitability
 - Creative imaging output options should be encouraged for new joy and purpose

Digital Cameras remain in 3rd place in Retail Electronics Market

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\$ Millions

Revenue Trends - Top 10 IT / CE Categories - 12 months ending June

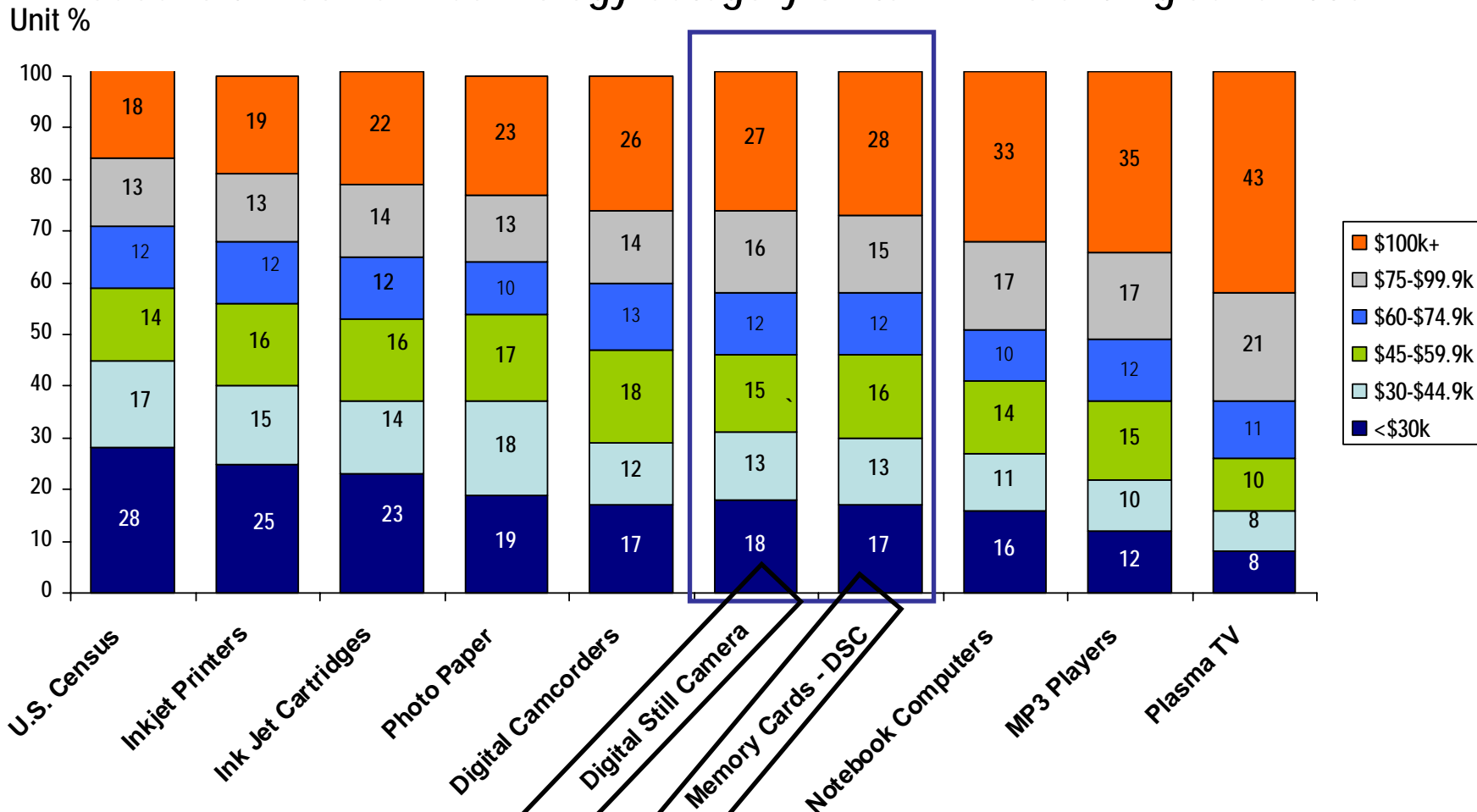


Legend: ■ 12 months ending June 2005 ■ 12 months ending June 2006

Digital camera consumers are still more affluent than average

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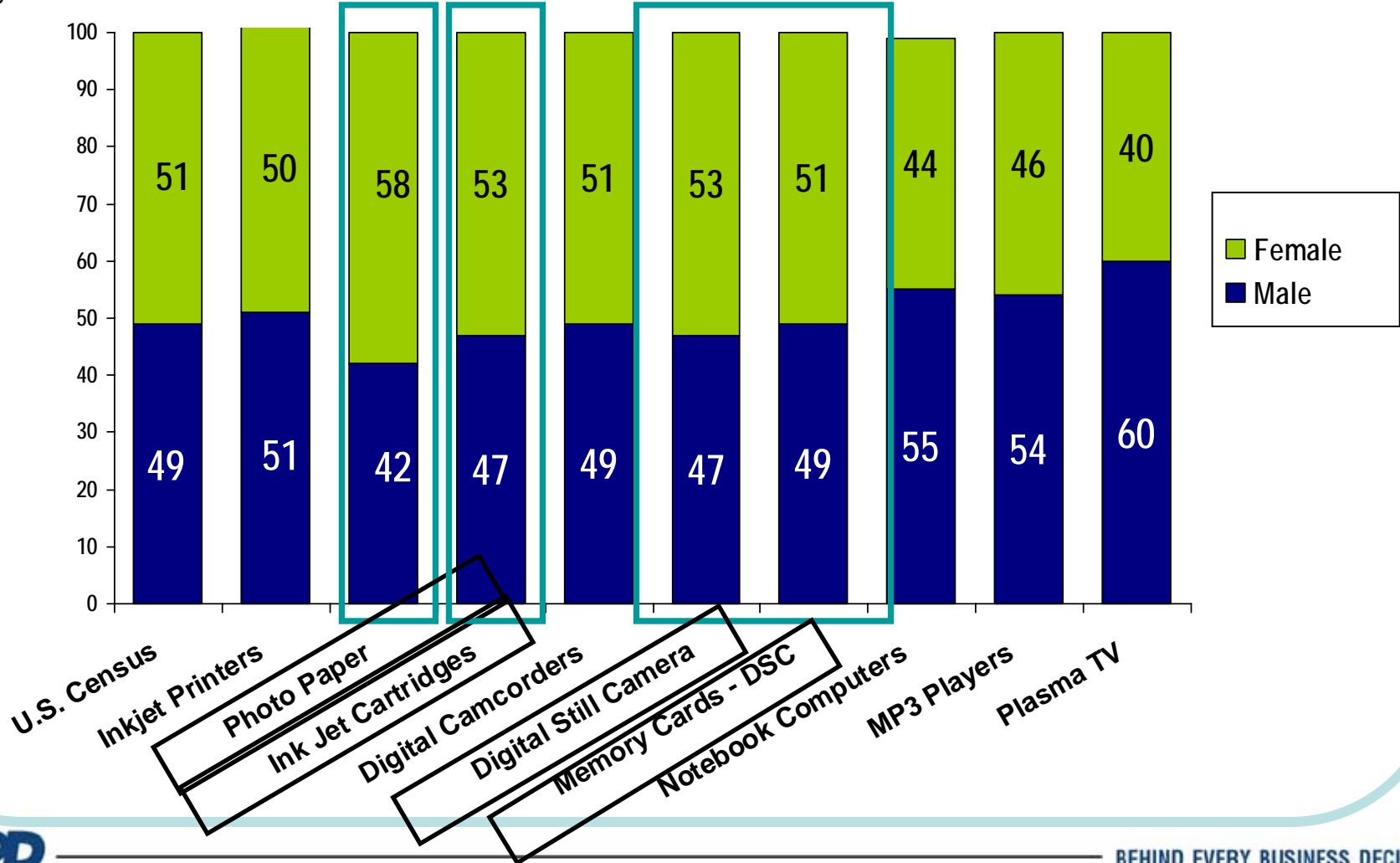
Household Income - Technology Category Units: 12 mo ending June 2006



Women have moved to dominance in digital still cameras, and dominate home printing consumable purchase

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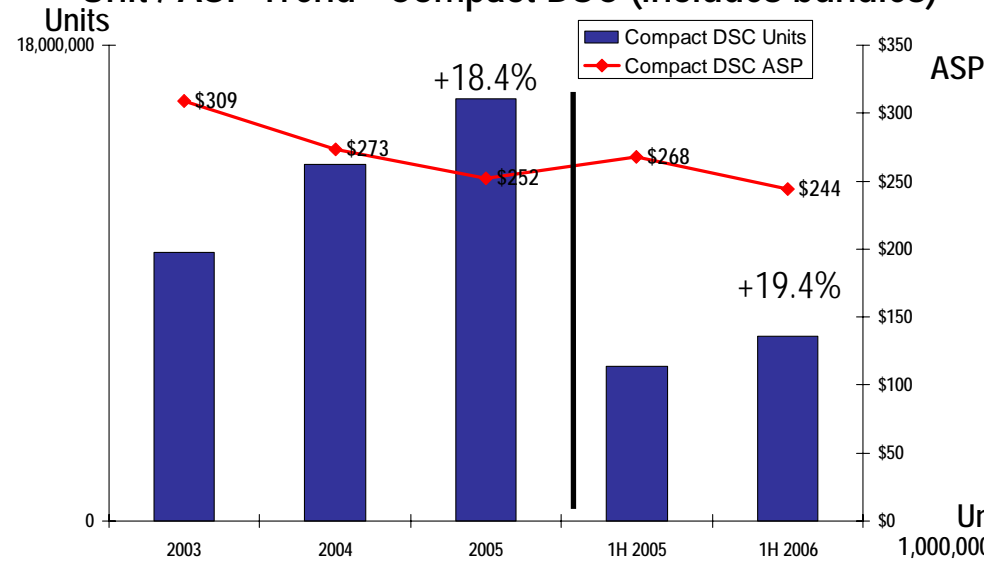
Unit % Household Income - Technology Category Units: 12 mo ending June 2006



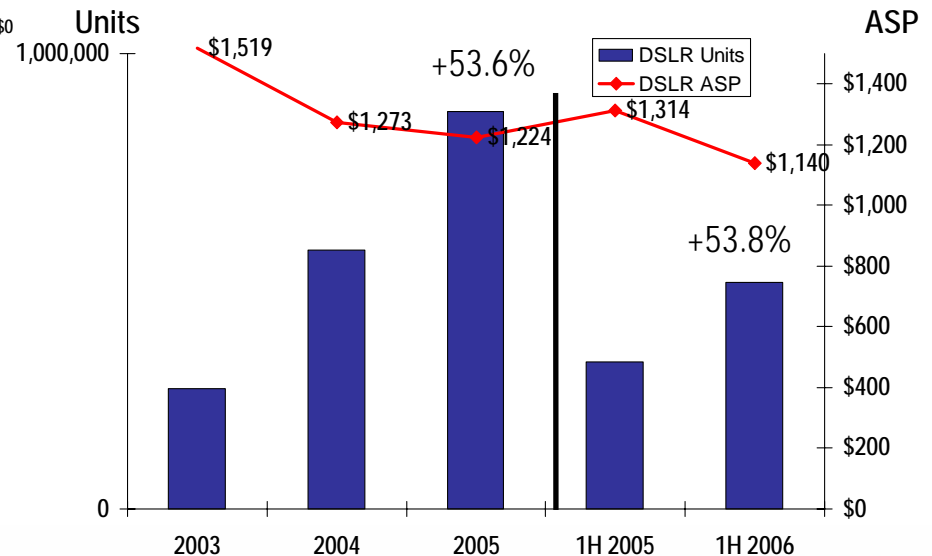
DSC growth robust in both compact and DSLR

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Unit / ASP Trend - Compact DSC (includes bundles)



Unit / ASP Trend - Digital SLR



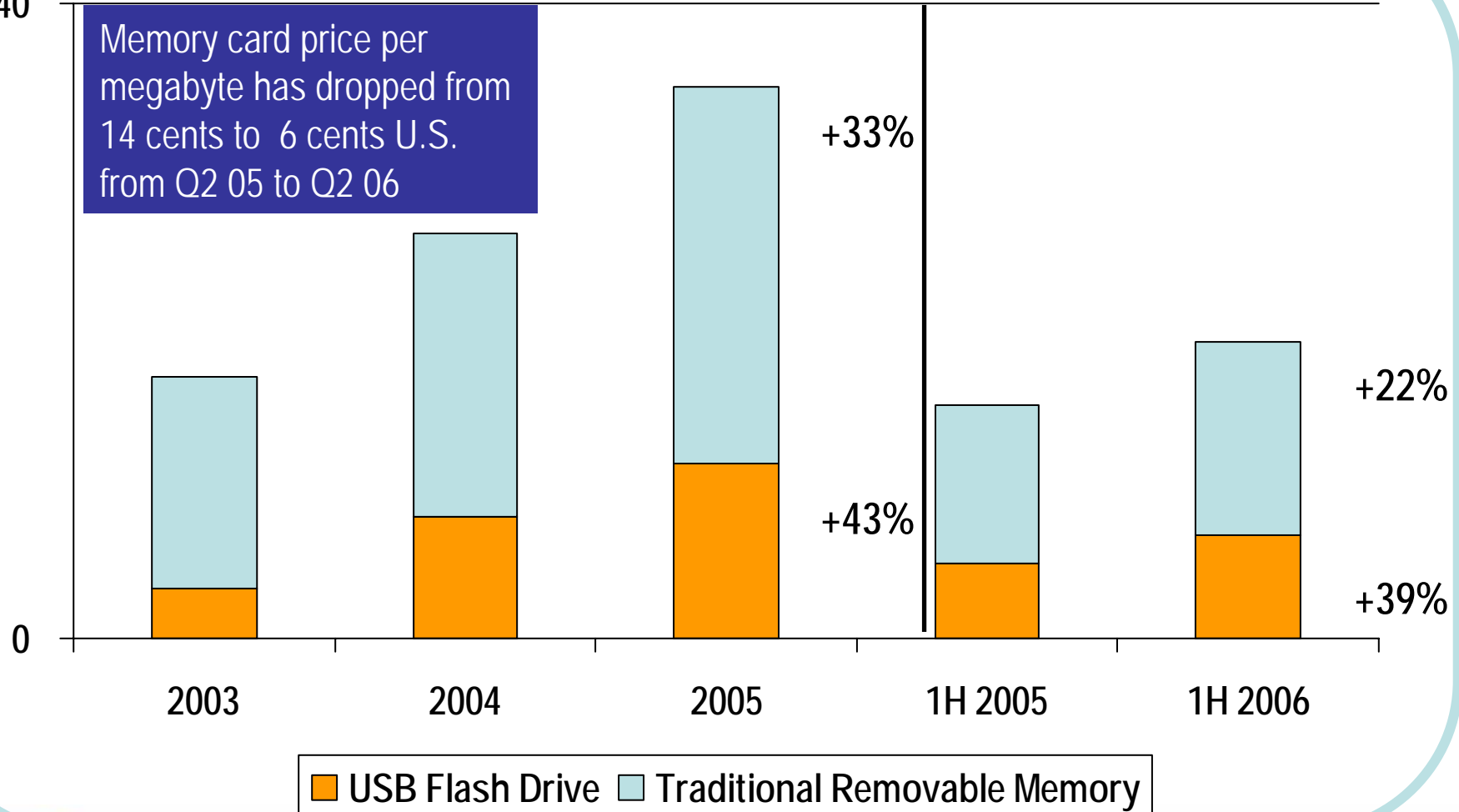
Memory Cards cheap enough to use as storage devices? Is this a good thing?

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Millions of Units
40

Memory Card Unit Trends

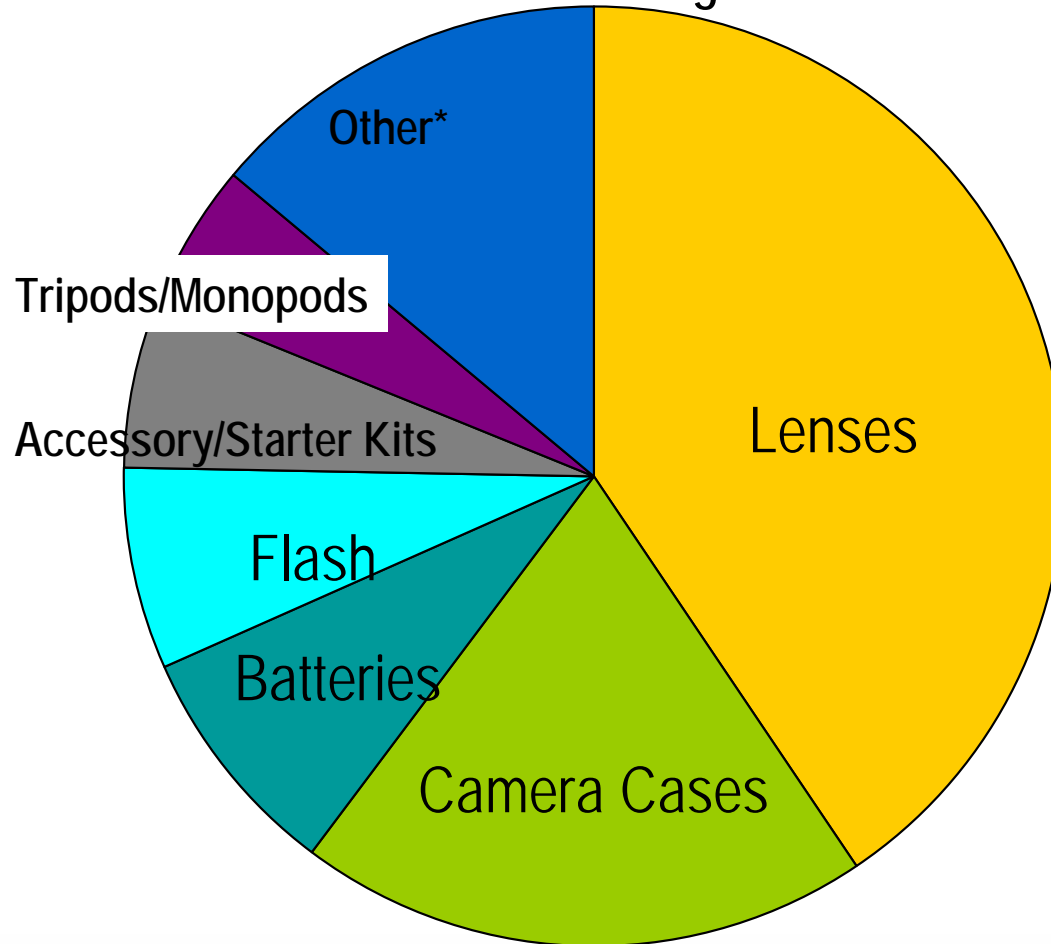
Memory card price per megabyte has dropped from 14 cents to 6 cents U.S. from Q2 05 to Q2 06



Accessory Revenue is up 38% from year ago

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Revenue Percent Share by Camera Accessory Category
12 months ending June 2006



Small Format Photo Printers moving to saturation

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Units Small Format Photo Printer Trend - sold alone and as part of DSC bundle

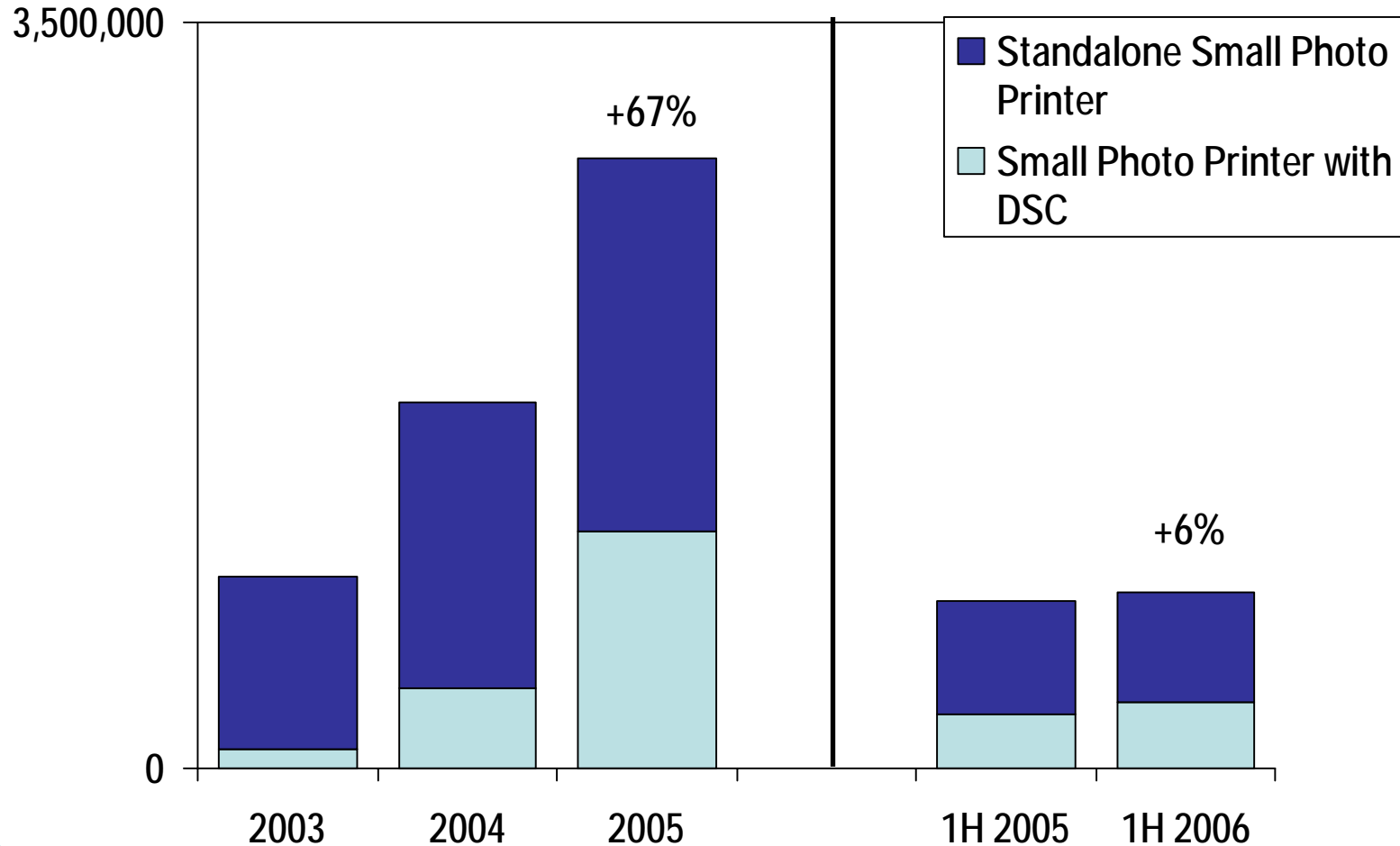
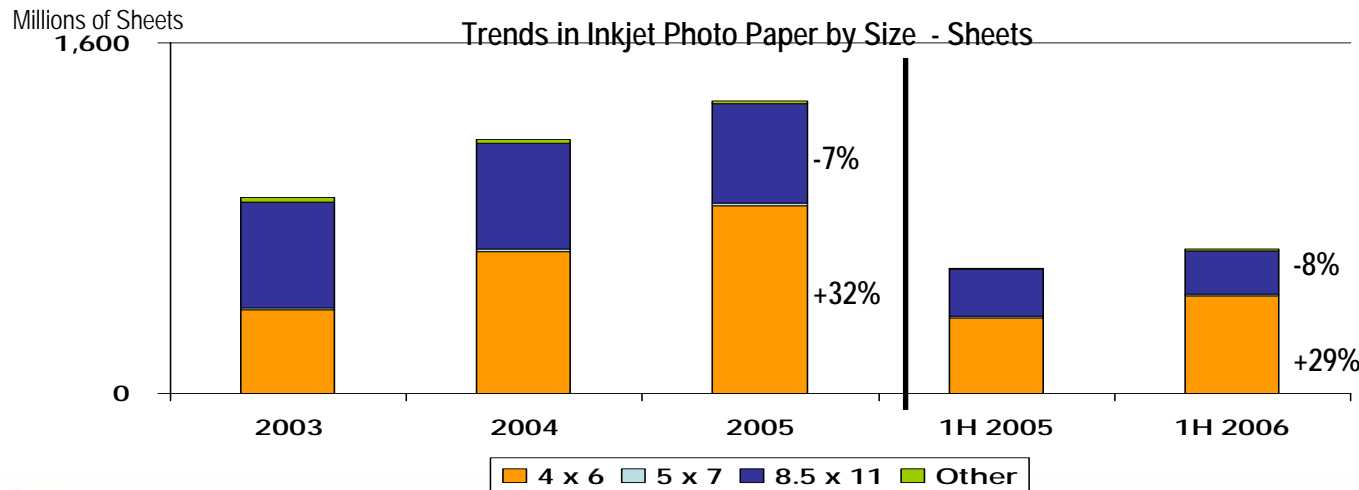
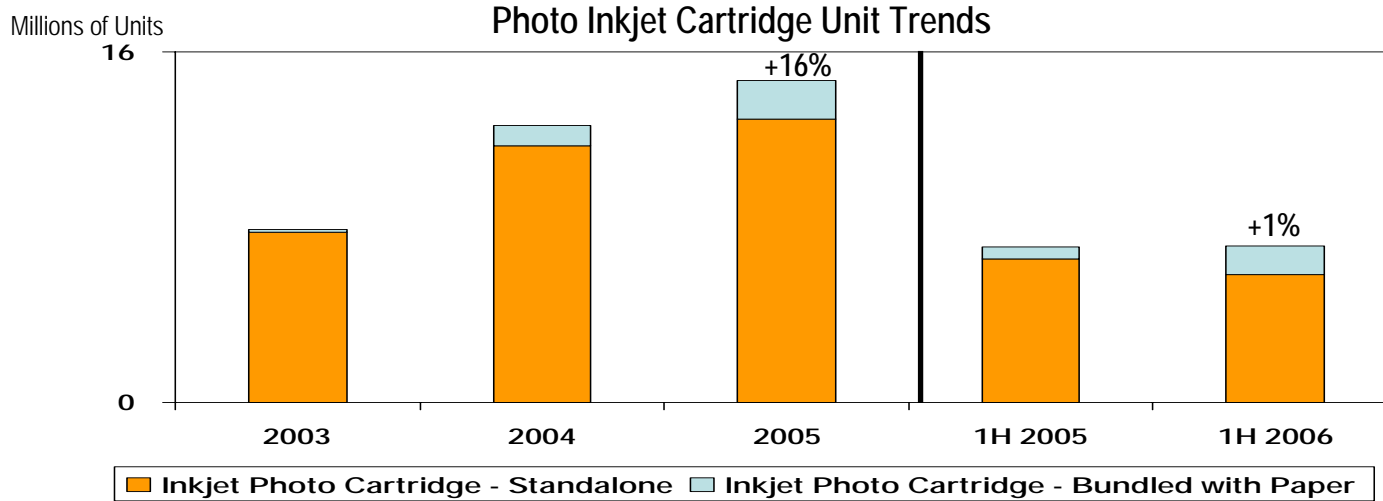


Photo Ink Units are flattening while 4x6 paper sheets still grow

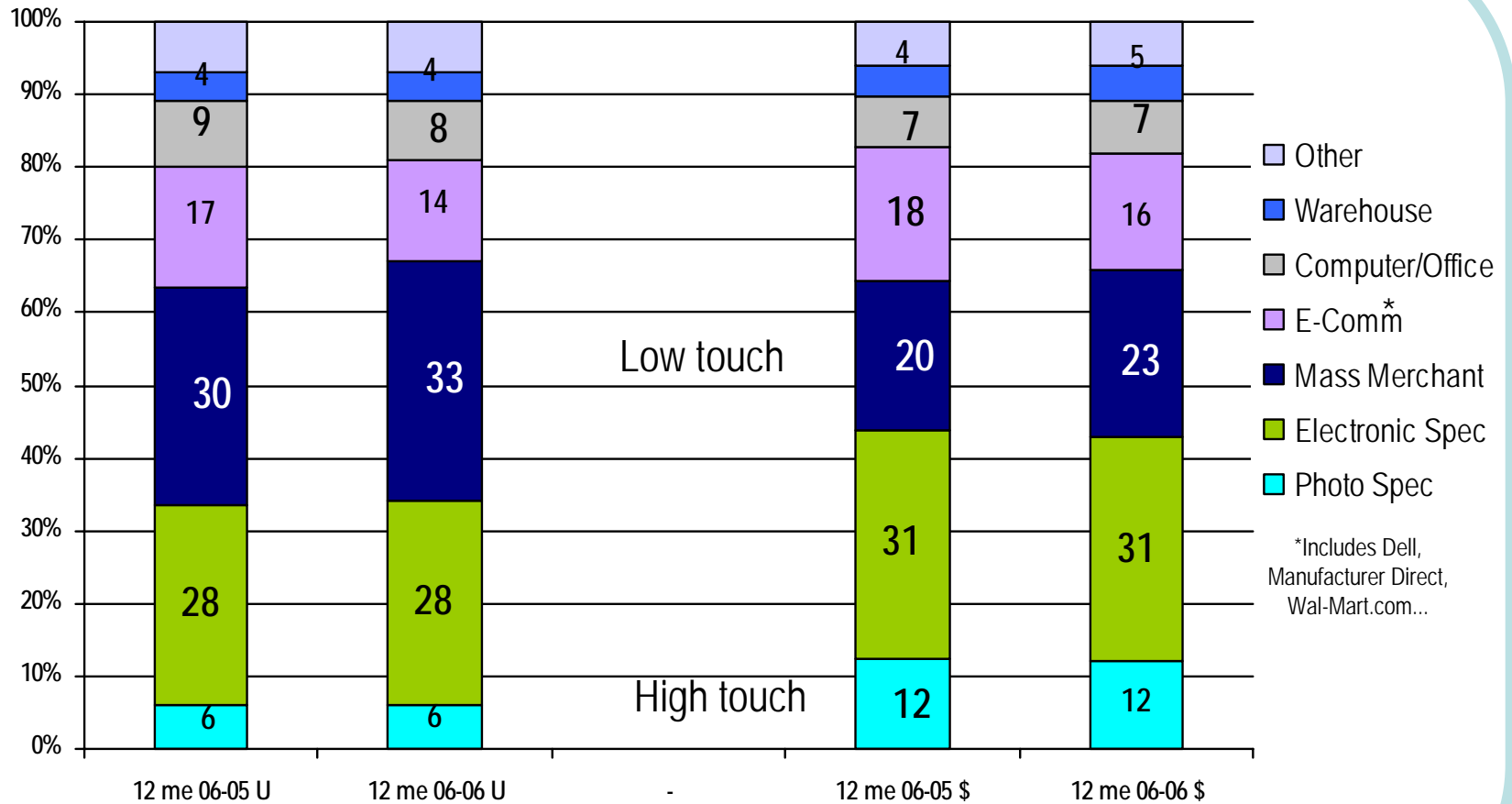
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Mass merchant is the fastest growing channel for digital camera sales

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Unit and \$ Share Channel Trends - Digital Still Cameras



12 mo June 05	12 mo June 06	12 mo June 05	12 mo June 06
22,712,020	27,008,680	\$6,027,673,000	\$6,515,108,000

Who is the best target audience for future imaging profitability?

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TODAY: Mom - keeper of memories needs help to make best use of her time



TOMORROW: Digital 18-24 year olds need help to express themselves through prints



KISS TODAY GOODBYE: Older loyalists stay true both to photo specialty and to making prints

U.S. Digital Imaging Opportunities

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- Focus on educating consumers on an imaging experience that flexes to fit their lives
 - where they shop and how they operate
- Consider accessories and printing a natural evolution from point of camera purchase to aftermarket
 - inviting destinations encourage creative thinking

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