

# Photo Merchandise – Opportunities Beyond Prints

Focused

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- **Market Segmentation**
- **Industry Structure**
- **Market Size and Forecast**
- **Personal vs. Licensed Content**



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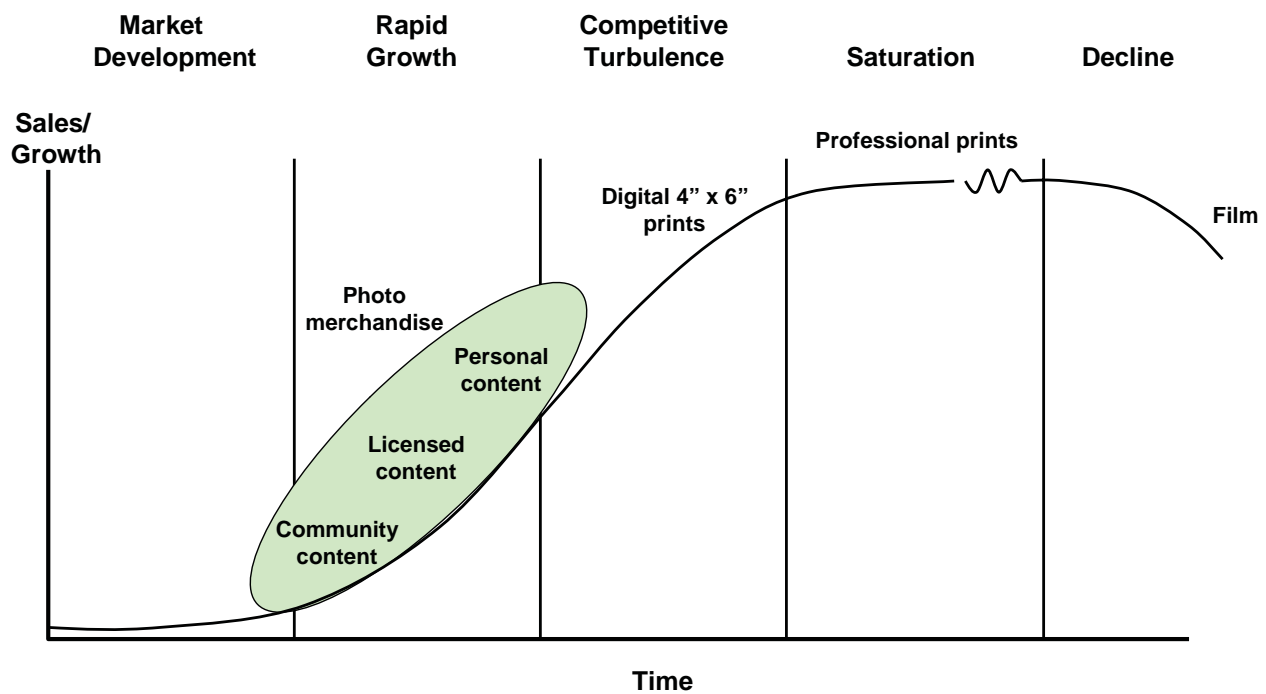
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## Introduction

Photo merchandise, ranging from calendars and photo books to greeting cards and novelty items, is an important growth segment of the imaging industry. This fast-growing market has been fueled by the explosion of digital photos, digital printing technologies, and e-commerce. Consumers can now easily create new photo products and gifts that express their personality and provide “utility” beyond a typical 4” x 6” print.

The emergence of the photo merchandise market comes at a critical time for the photofinishing industry. The growth rate of traditional 4” x 6” prints has slowed while prices continue to fall, forcing vendors to find new sources of imaging revenues and profits. Photo merchandise enables online and retail photo service providers to offer new imaging products that typically have significantly higher profit margins than commodity prints.

**Classic Market Development Curve**



The vast majority of photo merchandise is created when consumers apply their “personal” content (i.e. digital photos) to product design templates. Leading categories of photo merchandise include greeting cards, photo books, calendars, apparel/fashion, novelty items (i.e. mugs, playing cards), and home decorations. Each product has its own production methods, pricing, and purchase drivers.

**Photo Merchandise Examples**



Photo merchandise goes beyond “personal” photos to include a growing inventory of licensed images (i.e. logos or pictures of favorite characters, sports stars, and celebrities). Want a sports calendar of your favorite team? Now you can create a personalized version that only has pictures of your favorite players. Consumers can also combine their personal images with licensed images to create specialty products and gifts.

There are also opportunities for professional portrait, wedding, and events photographers to offer new photo products beyond traditional prints. Professional photographers are working with hosted service providers to offer photo books, greeting cards, and numerous other specialty items to customers.

Finally, a variety of social networking sites are enabling consumers to select images for prints or merchandise. These companies are seeking opportunities to monetize content in its most valued context, be it on screen, in print, or as some other type of merchandise.

**New Sources of Images for Merchandise**

<p><b>Licensed</b></p> 	<p><b>Community</b></p> 
<p><b>Fine Art</b></p> 	<p><b>Publishers</b></p> 

Despite the rapid growth within photo merchandising, this market has numerous challenges that industry players must better understand, including:

- A high degree of seasonality for many products
- A variety of production methods, including many manual-based processes
- Numerous industry suppliers with different resources and skills
- A short “window of uniqueness” for new photo products
- A significant overlap of industry alliances and competition
- Inconsistent licensing fees for non-personal content

InfoTrends is conducting a detailed study of the photo merchandise market to provide technology vendors, imaging service providers, and other industry players with the information and insights they need to capitalize on this growing opportunity.

## Project Objectives

This study is designed to provide companies that are interested in the North American photo merchandise market with critical business planning information. It will:

- Segment and profile the customers for photo merchandise and gifts
  - » Demographics
  - » Purchasing patterns (channel, on-line vs. kiosk)
  - » Awareness
  - » Unmet needs
- Explore opportunities for different types of content
  - » Personal
  - » Licensed
  - » Published
- Identify key industry players
- Forecast the market for photo merchandise by key product categories
  - » Greeting cards
  - » Photo books
  - » Calendars
  - » Apparel/fashion
  - » Novelty items
  - » Home decoration
- Identify opportunities and strategies for technology vendors and service providers
  - » Go-to-market
  - » Production
  - » Positioning
  - » Market development
  - » Partnering

## Market Research

The research for this study will include an extensive review of existing research and interviews with technology vendors, end-users, and photo service providers across a variety of market segments. Ultimately, the research will identify market segments, critical success factors, customer requirements, usage patterns, purchasing plans, and other items that will drive vendors' products, services, and marketing and sales activities.

## Secondary Research

InfoTrends has conducted extensive research over the past 24 months with technology vendors, service providers, and consumers related to digital imaging. Relevant research reports that we can leverage when compiling this study include:

- Online Photo Services Forecast
- Photo Kiosk and Retail Digital Photofinishing Forecast
- Digital Photo Prints Forecast
- North American Professional Photography Study\*
- Online Photo Services End-User Survey\*
- Digital Home Photo Printing End-User Study\*
- Retail Photo Printing End-User Study\*

*\*Reports based on at least 1,000 structured interviews*

We will also thoroughly examine existing market information on key applications, market segments, competitors, and product categories. InfoTrends anticipates utilizing a variety of sources, including:

- Industry trade associations
- Published industry reports
- Web sites
- Government statistics
- Industry databases
- Vendor white papers
- Research reports

## In-depth Interviews with Industry Players (30)

InfoTrends will conduct a series of in-depth interviews with critical industry vendors and content owners. The intent of the interviews will be to map out the structure of the industry, quantify the market size, and understand how the market will develop in the coming years. Interviews will be conducted with:

- Photo merchandise providers
- Retail and online photofinishing vendors
- Professional photographers and aggregators
- Corporate brand owners

## Structured Survey with Consumers (1,200)

InfoTrends will conduct a structured survey with 1,200 consumers across North America who have experience with photo merchandise. This survey will enable clients to better understand end-user attributes, purchase motivators and behavior, product awareness, and other factors influencing the growth of photo merchandise. We will also test ideas for non-seasonal opportunities (i.e. fundraisers, family events, clubs & sports).

## Analysis and Project Deliverables

InfoTrends will conduct extensive analysis of the desk research, the in-depth interviews, and the structured survey to develop a comprehensive understanding of the market's opportunities and issues. The project deliverables will include:

- An executive summary addressing key issues, findings, and overall recommendations
- A market forecast with supporting assumptions
- A presentation for internal communication of the research results
- A data book of the survey tabulations for additional analysis

## Project Schedule

InfoTrends intends to begin this project in June 2006. Based on the following schedule, the project will be completed with material distributed by the end of December 2006. Throughout the project, InfoTrends will issue regular updates on the project status.

<b>Milestone</b>	<b>Completion</b>
Desk research	June
In-depth interviews with industry players	August
1,200 interviews with consumers	August
Market analysis and forecast	September
Report and presentation delivery	December

## Participation Fee

The base participation fee is \$11,995. A personal presentation is available for \$2,000 plus travel expenses.

## Terms and Conditions

### Liability for Advice

Although reasonable efforts will be made by InfoTrends to ensure the completeness and accuracy of the information contained in written and oral reports in connection with the proposed study, no liability can be accepted by InfoTrends for the results of any actions taken by the client in connection with such information, opinions, or advice.

## **Copyrights**

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## **Confidentiality**

InfoTrends will use its best efforts to ensure that any confidential information obtained about the Client and its business during the course of the proposed study is not, unless agreed otherwise in advance, disclosed to any third-party without the prior written permission of the Client. InfoTrends retains the right to re-use any non-proprietary information as part of its ongoing analysis of the photo merchandise market.

## **Timely Delivery**

InfoTrends will take all reasonable steps to ensure that the time scales called for by the proposed study are met in accordance with the agreed schedule, but no liability can be accepted for the consequences of delays, howsoever caused.

## **Terms**

One half of the fee will be due upon initiation of the project, and the other half will be due upon report delivery.