

ISSUES IN THE MARKET

Digital Cameras



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Will growing DSLR sales manage to support the UK market?

For the first time in 2013, according to the Camera & Imaging Products Association (CIPA) of Japan, sales of DSLR and mirrorless cameras accounted for more than half of all volume camera sales in the country. This places Japan at the forefront of the global change being observed by camera manufacturers, where compact sales are increasing only in developing countries, and decreasing significantly in developed countries and the West. Much speculation exists as to whether the UK market is heading in the same direction.

In the UK, trade sources suggest that DSLR volume camera sales have remained relatively flat in recent years, increasing only slightly year on year. Similarly, TGI data discussed in the Market Segmentation and Share section of this report reveal a small 0.7-percentage point increase in DSLR ownership between 2011 and 2012. The devices continue to account for greater proportions of manufacturers' revenue year on year primarily thanks to continuing falling value contributed by compact sales.

Trade sources indicate that mirrorless sales are increasing at a faster rate than DSLR sales as consumers are drawn to the smaller form factor devices. These are still significantly more expensive than compact counterparts though.

The January 2013 collapse of high street retailer Jessops and the performance of online portals like Dixons Retail's Pixmania (which had like-for-like sales down 10% in 2012) indicate that the value that mirrorless and DSLR sales are contributing in the UK is not yet enough to widely support an industry hit hard by plummeting compact sales and consumer migration to smartphones. Although DSLR and mirrorless devices may well come to be the primary drivers of the camera market over the next five years, retailers and manufacturers operating in the UK will need to continue to invest in value-added services – such as classes, lessons, second-hand trading and digital services – if they want to remain competitive.

How successful will social cameras be?

Some manufacturers are trying to re-ignite interest in compact cameras by including a mobile data connection that allow photos to be uploaded to social networks or shared over email on the go. Mintel's consumer research for this report finds that 34% of camera owners want to upload content directly to a social network from their camera, and in light of this, connecting cameras to the mobile data network would appear to be a positive way to bring consumers back into the compact fold.

However, care must be taken to offer an appropriately tiered level of network access from the devices, or consumers may resent paying too much for an infrequently used service. This could seriously harm the take-up of the devices. A modular approach – where a day or week's access can be purchased at a time – may be more appealing than an always-on connection which goes mostly unused.

This may be one area where camera manufacturers can work in tandem with mobile network operators to increase interest by leveraging the new 4G network. In Mintel's Mobile Network Operators – UK, March 2013 report, it was discovered that 43% of mobile phone-owning consumers don't feel that they download enough to their phone to need a 4G connection. Photo files can be quite large and offering a shared 4G connection that stretches across both an individual's phone and camera, and which allows for near instant photo uploads, may provide the appealing hook needed to draw people into the 4G service and push the camera connectivity.

Are mirrorless sales an industry revitaliser?

Mirrorless cameras – which have interchangeable lenses but a primary body the same size as a compact camera – are providing the only bright point in an otherwise relatively bleak industry.

Olympus, for instance, which posted an operating loss of £60 million for the nine months leading to the end of 2012 after the revelation of a multi-year accounting scandal, also reported substantial falls in the majority of its camera retail operations, including a 25% fall in camera sales between January 2010 and January 2012. However, the company suffered these losses alongside a 28% rise in the volume of mirrorless camera sales.

Consumers are likely drawn to the sale of mirrorless devices as they represent a midpoint between functionally defunct compact cameras and too expensive or unnecessarily advanced DSLR cameras. However, although global mirrorless sales are increasing – with UK sales following the same trend according to trade sources – a potential difficulty over the coming years may be in convincing mirrorless owners to continue contributing spend into the industry by purchasing expensive new lenses for their cameras.

To this end, camera manufacturers may well benefit from creating a new category of lenses specifically designed for mirrorless owners who purchased their device primarily because they wanted a high-quality portable camera, rather than a professional-quality camera, and who therefore resent spending hundreds of pounds (or the cost of the camera again) on a new lens. These mirrorless lenses could be at a lower quality than those manufactured and sold for DSLR cameras, and therefore retail at a lower price point. This would hopefully keep mirrorless owners engaged in the years to come after their purchase.

Are smartphones a threat simply because of their convenience?

Although in Mintel's exclusive consumer research a very low proportion of consumers explicitly state that they plan to replace their most commonly used camera with a smartphone camera (5%), regardless the switch is occurring widely and frequently.

This appears to be because although in principle consumers have no interest in relying on a lower-quality smartphone camera rather than a digital compact, the convenience of the former devices, their additional features (in the form of connectivity and image editing) and their ease of use are prompting a change in behaviour.

Some manufacturers are already starting to target consumers with cameras with 3G connectivity running the Android operating system, to allow the same kind of sharing and image editing functionality on the camera as is commonly available on smartphones. However, in Mintel's exclusive consumer research for this report, just over a fifth of people (21%) say that they want to be able to take panoramic photos with their camera. It is unlikely to be coincidental that the biggest smartphone releases and smartphone operating system upgrades publicised in 2012 all prominently included the ability to take panoramic photos from the devices.

Smartphone manufacturers are consistently upgrading and innovating with camera software which allows them to increase the functionality of the camera software in their phones. This is normally a priority for them because increasing the specifications of camera hardware is often a physical impossibility, given the space restrictions. Camera manufacturers will need to keep a careful eye on the iterative upgrades released for smartphones by their manufacturers. These software upgrades tend to get a relatively large amount of press coverage; keeping feature parity between dedicated devices and smartphones is essential.

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