

EXECUTIVE SUMMARY

Digital Cameras



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The market for digital cameras is swiftly changing focus as low-cost compacts continue to tumble in popularity. Manufacturers operating in the UK are focusing more on sales of mirrorless and DSLR devices in order to drive revenue, and there are signs that this is working; retailers focusing on professional cameras are doing well despite the overall market downturn. Meanwhile, the first high-end compact cameras to include mobile data connectivity appeared towards the end of 2012, with rumours of more slated for a 2013 release. Consumers certainly want to be able to upload directly to social networks from the devices, but whether these expensive forerunners will be enough to re-ignite interest in a market segment desperately overshadowed by smartphones is yet to be seen.



THE MARKET

The digital camera market dropped 5.1% in value in 2012, as continuing plummeting sales of compact devices created an unavoidable hit to total market value, according to trade sources. However, whilst compact cameras have continued to suffer, the market for more expensive mirrorless and digital single lens reflex (DSLR) cameras has increased over the year. The London Camera Exchange (a 23-branch franchise), for example, specialises in mirrorless and DSLR cameras, and reported a 10% increase in total value sales throughout its stores over 2012, as these markets performed well.

The increase in unit sales of high-value goods is why the documented fall in total market value – 5.1% – is lower than the fall in volume sales, which was similar to the previous year at 7.7%. In terms of market value, a slight balancing act was observed where increasingly diminishing sales of compact cameras were offset to a small extent by the growth in unit sales of more expensive devices. This ultimately slowed the decline in market value to only 5.1%, compared to the previous year's 10.3%. (See Figure 1&2).

MARKET FACTORS

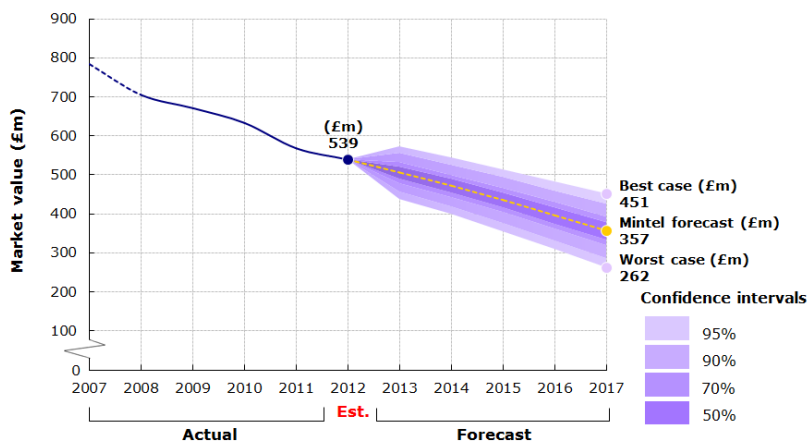
Ownership of cameras continues to decline

Some 63% of consumers owned a digital or video camera in January 2013, compared to 70% the year before. Many technology markets in decline go through a period where purchases fall and ownership remains steady. This normally indicates that the market is becoming purely replacement-driven and has ceased to attract new entrants. That ownership is falling alongside purchases, however, suggests that people are now more actively switching primarily to smartphone use or exiting the market entirely.

Mirrorless cameras proving enduringly popular

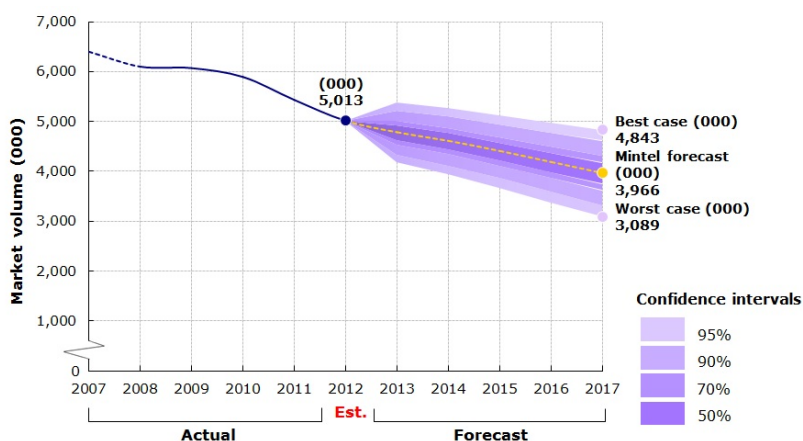
Mirrorless cameras allow consumers to own a significantly smaller interchangeable-lens device than the typical DSLR camera. Consumers appear to be responding well to the proposition, with sales strong enough to convince many manufacturers that switching strategy to increase mirrorless sales is the best bet for their sustained future growth. The issue in future may be convincing mirrorless-owning consumers – who likely stand midway between compact and DSLR owners in terms of their dedication to

FIGURE 1: FORECAST VALUE OF DIGITAL CAMERA SALES, 2007-17



SOURCE: MINTEL

FIGURE 2: FORECAST VOLUME OF DIGITAL CAMERA SALES, 2007-17



SOURCE: MINTEL

photography – to continue purchasing expensive new lenses for their devices.

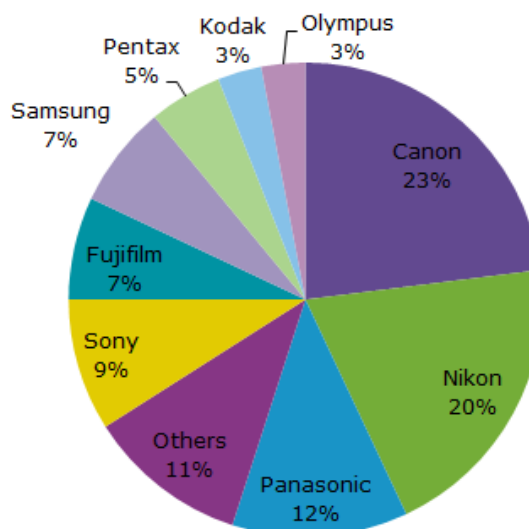
Nikon and Microsoft sign patent deal for Android cameras

Camera manufacturer Nikon and technology giant Microsoft signed a patent agreement in March 2013. The agreement allows Nikon to use the Android operating system in future. Although Android is produced by Google, Microsoft owns patents key to its running. The signing of this agreement suggests Nikon is looking into releasing a number of cameras running the Android operating system, similar to the Samsung Galaxy Camera released in the latter half of 2012. Samsung has remained quiet regarding the success of the Samsung Galaxy Camera. The device had a price point similar to most top-end smartphones, which may well have alienated consumers regardless of the device features, but the entrance of Nikon into this market suggests a range of smart cameras may soon be released to cater to consumers at all price points.

COMPANIES, BRANDS AND INNOVATION

- Canon and Nikon retain their market share majorities in 2012, accounting for just over two fifths of the market between them.
- Canon released its first mirrorless camera in July 2012, aiming to maintain share in an environment slowly favouring the devices. The manufacturer's drop in share between 2010 and 2011 was partly attributable to competition from Nikon and Panasonic in device categories where it had no presence.
- It's likely that over 2013 its market share will remain high, given the manufacturer's proven success with DSLR sales and its likely success with mirrorless equivalents.
- Nikon has similarly maintained its market share into 2012. The company announced in March 2013 that it would be moving production of its DSLR cameras to Laos, to cut costs.
- The company also announced that it had seen slightly worse mirrorless camera sales at the start of 2013 than 2012, with competition-driven price reductions from competitors impacting on global sales.
- Samsung increased its market share a small amount with the release of its widely publicised Galaxy Camera. Further expansion over 2013 will likely depend on the positive reaction to its

FIGURE 3: FIGURE 4: DIGITAL CAMERA MARKET SHARE, 2012



SOURCE: MINTEL

wirelessly enabled cameras and possibly the provision of a more attractive or customisable mobile data plan.

- Olympus' market share will likely increase over 2013, by a small amount. The company was rocked in 2011 by the revelation of a two-decade, multibillion-pound accounting cover-up by executives at the firm. However, 2013 has seen it reconsolidate its business, and the company will likely make inroads to recover its lost market share over the year.
- Outside the market for dedicated cameras, the Nokia PhotoBeamer application, released in November 2012, allows the smartphone handsets to instantly share photos with any other internet-connected device.
- The Sigma dock (April 2013) allows owners of Sigma lenses to connect them to a computer and customise the settings according to the user's personal preferences.
- HTC's One smartphone, likely released in May 2013, features an 'Ultrapixel' camera sensor in which the microscopic light-absorbing pixels are slightly larger than standard, granting the phone a significantly better ability to capture images in low light.
- Olympus' September 2012 mirrorless camera cap includes a lens and allows the device to mimic the immediacy of accessibility that has made smartphones so popular. (See Figure 3).

THE CONSUMER

Camera ownership and use

“Which of the following types of cameras, if any, do you personally own, and which one do you use the most (ie as your main camera)?”

- This is likely the first year that under half of all internet-using consumers (47%) are relying on a compact camera as the main device they use to take pictures and video.
- Despite two thirds of consumers owning a smartphone, only 38% seem to recognise that they also own a smartphone camera, indicating that a fair proportion of owners do not view their phones as imaging devices.
- Mirrorless owners are the most likely to own other camera types. Over half also own a DSLR camera, suggesting a high migration between the two device types. (See Figure 4).

When consumer cameras were purchased

“When did you buy your camera(s)?”

- Almost half of all consumers purchased their compact camera between one and four years ago, suggesting that four years is the upper boundary of the compact replacement cycle.
- Although few consumers state that they intend to buy a smartphone as their next camera, it is unlikely to be a coincidence that the lowest year for compact purchases recently correlates with the highest level of smartphone acquisition.
- A relatively high proportion of consumers purchased DSLR and compact cameras within the same year. Bundles or trade-in packages accommodating this behaviour may prove popular. (See Figure 5).

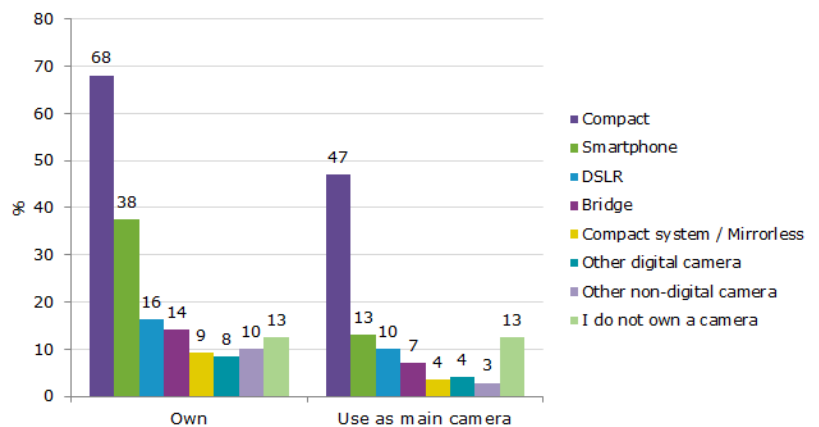
What camera consumers plan to purchase next

“When you next replace your main camera, which type do you think you will be most likely to buy?”

- One in three current camera owners plan to purchase a compact camera as their next device. This is a respectable figure compared to the one in 20 who plan on purchasing a smartphone.

FIGURE 4: CAMERA OWNERSHIP AND USE, NOVEMBER 2012

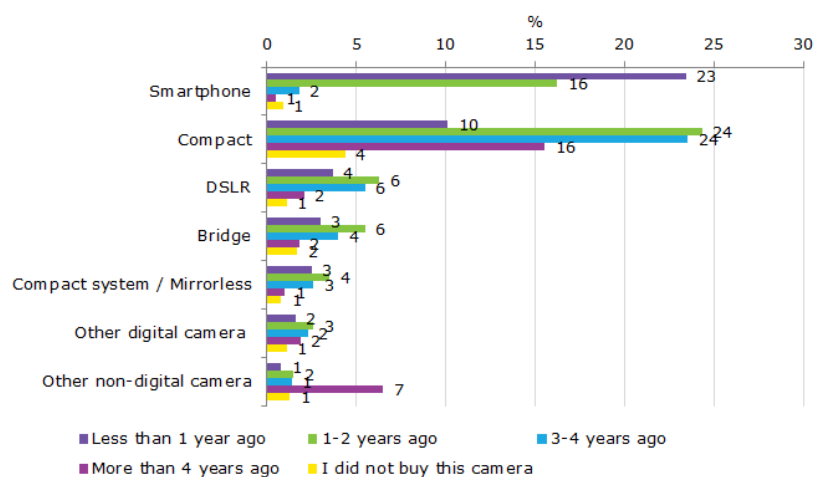
Base: 2,000 internet users aged 16+



SOURCE: GMI/MINTEL

FIGURE 5: WHEN CONSUMERS PURCHASED THEIR CAMERAS, NOVEMBER 2012

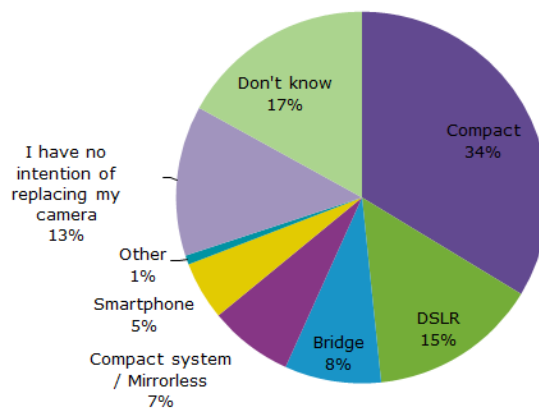
Base: 1,750 internet users aged 16+ who own a camera



SOURCE: GMI/MINTEL

FIGURE 6: NEXT CAMERA TYPE CONSUMERS ARE MOST LIKELY TO BUY, NOVEMBER 2012

Base: 1,750 internet users aged 16+ who own a camera



SOURCE: GMI/MINTEL

- Under-35s are the most likely to want to purchase a mirrorless camera.
- Consumers without children are the most likely to not know what type of camera they want, possibly suggesting that manufacturer adspend devoted to media typically enjoyed by childless couples may help consolidate the interest of an at-risk segment of the market. (See Figure 6).

Activities consumers want to carry out with their digital cameras

“Which of the following activities, if any, are you most interested in carrying out with your digital camera?”

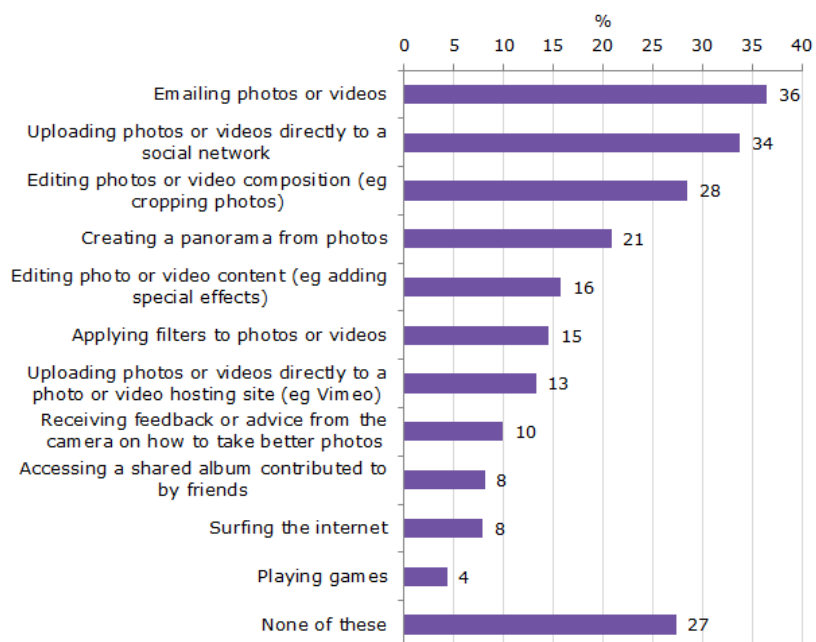
- Sharing is the primary concern for consumers. A third of consumers each want to email photos and video from their cameras.
- Consumers appear to be taking inspiration from widely publicised smartphone features. It is likely that the fifth of camera owners who want to take panoramic photos from their devices are influenced by the inclusion of this feature in new top tier smartphones over 2012.
- People planning on buying a compact camera only really have an interest in adding connectivity to their devices. Image editing features are more in demand by those planning on buying more expensive devices. (See Figure 7).

Attitudes towards digital disposable cameras

“Some companies are experimenting with digital disposable cameras which allow you to take some photos and then transfer them onto a PC, before throwing the camera away. Thinking about cameras like this, which of the following statements, if any, do you agree with? Select all that apply.”

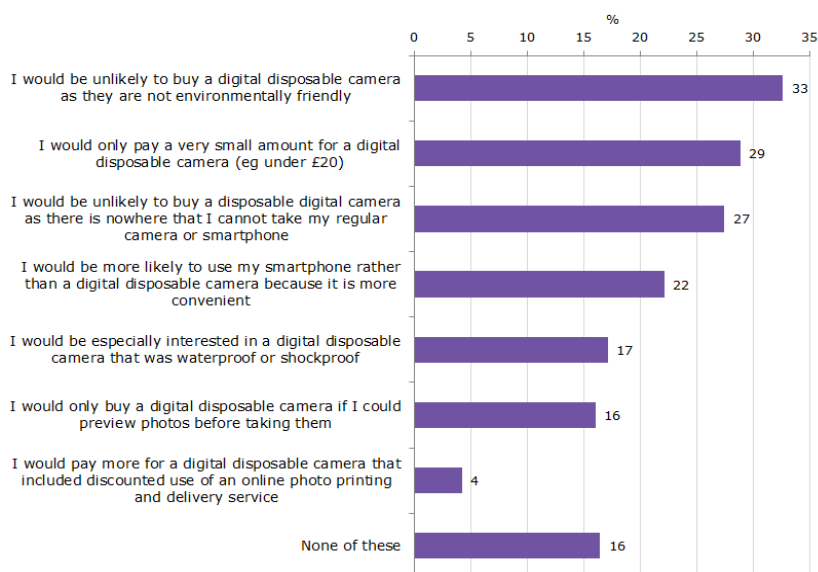
- A third of consumers believe that disposable digital cameras are not environmentally friendly, suggesting that a rental scheme for cheap devices may be a more attractive form of attracting consumers to a ‘disposable’ proposition in the long term.
- Parents are less likely to agree that their smartphones can be taken anywhere, likely as their children have made them cautious. Partnerships with family-friendly visitor attractions would allow parents to give their children their own, inexpensive camera for the day.

FIGURE 7: ACTIVITIES FROM DIGITAL CAMERAS, NOVEMBER 2012
Base: 1,750 internet users aged 16+ who own a digital camera



SOURCE: GMI/MINTEL

FIGURE 8: ATTITUDES TOWARDS DIGITAL DISPOSABLE CAMERAS, NOVEMBER 2012
Base: 2,000 internet users aged 16+



SOURCE: GMI/MINTEL

- Older consumers, who are less likely to own smartphones or to need advanced features on their devices, represent a sizeable market for digital disposable cameras. (See Figure 8).



“ What We Think

Manufacturers are placing a lot of emphasis on the production of cameras running the Android operating system and connected to the mobile data network. These are certainly positive steps; in order to re-ignite interest in the quickly collapsing compact market, the devices need to have their functionality and appeal drastically broadened. However, care must be taken to ensure that the devices – and more importantly the data services that complement them – remain appropriately priced. The success of mirrorless cameras is an undeniable glimmer of hope for the industry as a whole, but manufacturers and retailers alike will need to be especially careful to retain the long-term interest of owners, in order to guarantee future spend on lenses and upgraded models. Throughout this, even manufacturers of top-end equipment need to keep a careful eye on the software included with frequently updated smartphones, in order to make sure that their cameras retain a feature parity.

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