



MAY 2007

# PMA **newsline**

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# Fears that new EC duty may push up the price of digital compacts

Proposals by the European Commission to treat digital still cameras with a video facility in the same way as digital camcorders could result in a small increase in their basic cost. However, there are fears that if the move gets the go-ahead it will be applied retrospectively, landing importers with a massive cost which may only be recoverable through even bigger increases in price.

Dedicated digital camcorders are subject to a 4.9 per cent duty if they're imported into the EC and as there are currently no DSCs with a video facility manufactured in the EC duty will have to be paid on all of them if the proposal is adopted.

If the duty is imposed only on cameras imported after a given date, the extra cost will be relatively easily absorbed as it will apply to the cost of the imported goods rather than their trade or retail price. It's believed that the price of a mid range camera with video functionality might rise by no more than a few pounds.

However, if it's applied retrospectively, then importers will have to pay the levy on perhaps millions of cameras with a major knock on effect on the price paid by consumers. A final decision is expected to be taken in July but meanwhile an industry-wide campaign is being waged against the plan.

Taking the lead on behalf of the UK industry is the Photo Imaging Council. It argues that the EC should follow the lead set in the World Trade Organisation's Information Technology Agreement of the World Trade Organisation, which says that digital cameras with a video function should not be equated with dedicated camcorders when it comes to customs legislation.

Representatives of CIPA (Camera & Imaging Products Association, Japan) have already

**"There are fears that if the move gets the go-ahead it will be applied retrospectively"**

travelled to 20 of the EU Member States to lobby support for their argument and, following a meeting with UK authorities in London, it's understood that they too were sympathetic to the argument.

An initial meeting of the committee which will make the final decision was scheduled as we went to press but that decision won't be taken until early July when all 27 member states will vote on it.

Nico Michaelides, Marketing Director, Canon

Consumer Imaging UK & Ireland commented: "We will of course comply with any changes in legislation or import duty classification that affect any of the product categories Canon sells in the UK. At this time there are no changes to the classification of digital cameras or to the import duty of this product category. Discussions between CIPA representatives, PIC, DTI and HM Customs & Excise are on-going on this topic and at this stage we cannot comment on any potential outcome of these."



Now you see it... Delkin's Dave Gleeson and his stock of disappearing Pop Up Shades. More in our PMA Report starting on page 2

## Nigel's Comment



Photo Books. Everybody it seems is talking about them. But are they the answer to the maiden's prayer?

Remember the typical family photo album? The first six pictures were the family at Christmas. Then there were a couple of photos of the first daffodils in the garden, then ten photos of the children's birthday parties followed by two photos of the school sports day. Then about a dozen photos of the holiday and possibly one picture of the new school uniform and then, what do you know, six photos of the next family Christmas and so we start again. If this sounds familiar then you're in good company.

Now I've been listening to views about Photo Books from various different countries over the past few weeks since Las Vegas and I'd like to give you a summary. It is obvious that the Photo Book market is not one market, it's many different ones, differentiated by price, quality and purpose. That means that you need to select your equipment and investment according to the type of book or types of books you want to offer, because some of the lower cost simple binding systems can serve as an entry to the more profitable books.

However the most important factor seems to be this. We all know that with digital cameras people take more photos but print fewer of them. But we also know that a Photo Book is not like the old photo album in that it does not include different themes, indeed it seems that when people choose the photos to put in a photo book they do it with a single theme in mind. That theme might be Christmas, a birthday, a summer holiday etc.

So instead of the family album which had just six Christmas photos the Photo Book will contain 20 or 30 Christmas pictures, and the photographers do take that many. So the Photo Book gives them a reason to print many more and to discard fewer. After all a Photo Book with just six Christmas photos in it, or only ten photos of the birthday party is not really what it's all about.

So photo books give more reasons to print more photos, and those photos have already been taken. I agree it's not an earth shattering discovery, but for the people I was talking to it was a point that was easily overlooked.

# "Be in the heart and the mind of your customers"

Nigel McNaught rounds up his report on the recent PMA USA trade show with a look at some of the events and products that most got visitors talking

No review of any show such as the PMA show in Las Vegas this year can ever hope to cover all the details and events, so I thought I would concentrate on comments which I heard, either from exhibitors, visitors or speakers.

Now you will not be surprised to learn that we have all heard comments like these before. That's not the point. We still need to remind ourselves of fundamental business requirements. What is important is to be able to update the meaning behind the words, to bring it into the digital context or the current culture.

So let me start with our headline: Be in the

heart and mind of your customers. I actually heard this from three different speakers. One was our own Barry Young of Digital Depot who found himself co-presenting with a rather ebullient retailer from USA. Barry's more prosaic and laid back approach endeared him to the international audience and he won their interest and their questions by not just urging them to think like their customers but by proclaiming with great joy that "Photography is Back".

His message was clear: if you think about what your particular customers want and then provide it, you have the foundation for a business. The same sentiment was put forward



Barry Young talking with some of the audience after his presentation

## “We still need to remind ourselves of fundamental business requirements”

by a speaker who had nothing to do with photography. Peter Van Stolk markets Soda - that's lemonade to you and me - and he talked about developing an emotional bond with his customers that leads to and promotes customer loyalty.

The international nature of the conference was reflected in the session where a panel of four retailers from different countries gave us their current print promotion strategies. Jesús Gonazález from Mexico gave us the advertising slogan “Don't leave your memories on your memory card”. It's not earth shattering but it is simple, memorable and direct. And it clearly translates into many languages.

In the same session Rainer Schorcht from Foto Schorcht told us that the factors which matter were speed, price and quality, but “.. you can only offer two out of the three at any one time”, and he went on to ask how many marketing campaigns tried to do all three - and failed.

Quite a few sessions talked about the customer experience and the pleasure that the DIY aspect of kiosks has brought to the consumer. “Customers love making their own collages” pronounced one speaker as he talked about the new breed of creative kiosks capable of producing “wall art”.

Stan Slap gave a keynote presentation about Management Excuses and how easy it is to fall into the excuse trap to explain poor business performance. In a presentation reminiscent of some heard at PMA UK conferences he talked a lot about the importance of staff training. He recalled the dealer who had told him that he didn't believe in lots of staff training because as soon as you train them they leave. He asked the audience: “Would you rather have untrained staff who stay?”

From the exhibitors comments I rather liked the remark made by Delkin's Dave Gleeson who showed me his company's new Pop Up Shades and told me that one dealer had seen them “disappear from his counter top so fast he thought they must be being stolen”.

### Market data

There is always a huge amount of market data available at such events. Perhaps one of the more thought provoking presentations was from Ed Lee of Infotrends who told us that by the year 2010 95 per cent of digital camera purchases will be replacements. At first, I was slightly perturbed by this, thinking that was severely limiting the market growth. But if we look at household penetration of digital cameras - which is more than 50 per cent currently and even higher in some countries - then by extrapolation one could



Lucidom European boss Mike Clayton-Gale with he award wining Creative kiosk



Framers looking at the results of their competition

realistically expect household penetration to be higher than 70 per cent by 2010. This could, according to some definitions, represent pretty close to saturation of the available market. After all most televisions, most white goods and brown goods are in fact repeat purchases because they operate in a mature market.

So, maybe this prediction is something to be welcomed since it takes the emphasis away from price and more onto features and benefits in order to give the consumer a reason to want to replace his existing product, rather than just needing to replace it because it is unrepairable.

This year saw the second showing of the Complete Picture Inspiration Center, the concept retail store. I'm not sure that it was completely understood the first time it was shown last year for I heard then people saying that it was all very well but they didn't have that much shop space in their country. This year I overheard more than

one visitor to the concept store remark “I see what they're getting at; you know we could do this!”

Returning to the speakers at the sessions, the idea of the digital café was proposed by more than one speaker. The shopping experience is a phrase which can mean different things to different people. One speaker referred to the famous picture of Marilyn Monroe standing in the updraft in a shop doorway. He exclaimed that this was the sort of shopping experience he wanted.

The Digital Café appeals to the time rich, cash rich people, but the marketing gurus tell us that people are either time rich and cash poor or vice versa. So does that mean that the digital café concept is doomed? Not a bit of it, he said, this is just another example of niche marketing. Or to put it another way, to thinking like your customers, in fact being in their hearts and minds.

### DIMA awards

Last month we mentioned briefly some of the DIMA awards. These prestigious awards are made to products which satisfy a number of different special criteria and many categories are judged both by experts and by the consumer. Sometimes the experts agree with the public, and sometimes not.

The Dima Innovation awards go to products which show a real benefit to the user as a result of new technology. So these awards are for products which can reasonably proclaim themselves as "first of its kind".

## DIMA Innovation award winners are (not in any particular order):

- **Zigview S2:** digital angle viewfinder for DSLRs.
- **SensorScope from Delkin:** allows you to inspect the camera sensor and incorporates a mini vacuum to remove loose particles from the sensor chamber.
- **Nexlab DS Tower:** Digital Minilab with multiple high speed dye sublimation printers.
- **Epson Stylus 1400:** Printer with high speed, quality and value in the 13x19inch category.
- **Face Pro:** advanced face tracking software .
- **Fujifilm IS-1:** 9mp camera for use in daylight and in infra red.
- **HP Designjet Z:** the thermal inkjet system delivers a wider colour gamut and longer life print.
- **Hitachi Hybrid Camcorder:** DVD and HDD, fully editable.
- **Gorillapod:** Flexible camera tripod.
- **Photobook Pro:** Automatic on-site photo bookbinding and assembly system.
- **Lensbaby:** selective focus lens for SLRs.
- **Freedom Universal:** powered merchandise and security system.
- **Olympus EVOLT E-510:** DSLR with Live-View LCD.
- **Olympus SP-550 UZ:** the world's most powerful ultra zoom compact camera.
- **Olympus Stylus 770 SW:** ultra compact camera which can be used under water and in freezing conditions.
- **Rotation 360:** Backpack with beltpack that can slide round for access without taking the backpack off.
- **Xerox iGen3:** Digital Production Press with image-improving software.



Noritsu was one DIMA printer winner...



... and so was Photo-Me.

### Printer Awards

The printer awards were divided into many categories depending on print size, media and software:

Printer awards winners were Noritsu, Photo Me, Express Imaging, Xerox, Epson, HP Photosmart, Innova, Colorburst, Fujifilm, DNP, Kodak and Kanematsu.

### Kiosk Awards

One of the most keenly awaited award sections is the kiosks. The four categories are Digital Order Station (ie a kiosk linked to a remote printer either on-site or off-site), Instant Print Kiosk (with printer or printers built in to the free standing

unit), Software Only and 'Other than Photo' (ie a kiosk with which you can do more than just print photos).

The 33 kiosks submitted by the manufacturers are rated by judges and by consumers and they do not always agree. However the same three names did appear across the winners this year and they were Kodak for its G4 kiosk, Storefront, a Canadian company which fared well with the experts, and Lucidiom for its ability to produce creative output about which we have heard a lot in the past and will hear even more in the future.

*To find out more about these award winning products visit the PMA web site.*

## ACHIEVEMENT

## And the winner is...

... no, you'll have to wait till the PMA's Autumn Conference to hear who is to be the first recipient of the Chris Swain Award.

The award, set up in memory of the long-time chairman of Swains International who died suddenly in February, is to be given annually to someone who has made a significant contribution to the photographic industry during his or her lifetime.

The final decision will be taken in the early autumn by a committee of four, PMA Director, Nigel McNaught, PMA Chairman, Roger Stansbridge, one of Swains' three directors and a leading figure from the industry, still to be named.

By the time they meet, they will have drawn up their own short list of nominees but, adds Swain's marketing director, Danny

Williams, they will also welcome nominations from anyone else in the industry. "These should be with PMA by the end of August," he said.

"The Chris Swain Award is photo industry's equivalent of the Lifetime Achievement Award given by BAFTA," he went on. "The nature of the award itself has yet to be decided but what is certain is that it will reflect both the esteem in which we hold the winner and the importance of their contribution to the industry."

Added PMA Director Nigel McNaught: "Chris Swain was just the sort of character who would himself have sprung automatically to mind as a nominee for a lifetime achievement award.

"It's a great way of remembering him as well of recognizing the efforts of others."

## PROMOTION

## PMA and PIC in Mirror image link

Over the last few weeks PMA and the Photo Imaging Council have been in discussion with the Mirror Group of Newspapers regarding promoting picture taking through a National Photo Competition.

With the wide readership of the Mirror newspapers, it was felt that we have a wonderful opportunity to get people taking pictures which they can be proud of and which they will want to share and print.

Further details of how the competition works

will be available next month but meanwhile Newsline can confirm that one of the main aspects of the competition will be that the entrants and people sharing and looking at the photos via the Mirror web site will be making a contribution to a national charity.

The photograph voted best picture will be shown at the PMA UK Conference in October and the winner will receive their prize from a celebrity speaker at the Gala Dinner during the conference.

## EDUCATION

## Photo teachers join PMA for autumn conference

Many of you will not be familiar with the initials PIEA. They stand for Photo Imaging Educators Association which is exactly what is says on the tin, a forum where lecturers and teachers in photography can exchange ideas on teaching photography. The recent PMA show in Las Vegas included a very comprehensive programme covering a wide range of topics based on coping with the challenge of change.

At the forthcoming PMA Conference at Chateau Impney on October 9 and 10, the PIEA will also hold its UK conference and we shall continue that theme. Topics for the conference will include "How to equip a teaching space on a budget", "Progression through education", "The importance of links with local industry" and "Project work".

By integrating the PIEA conference with the PMA conference the attending teachers and lecturers will have the best of both worlds: the opportunity to listen to top class speakers about the industry and lifestyle which we can expect in the future, and how to prepare for it, as well as a comprehensive trade show where they can discuss the latest products with suppliers.

## EXHIBITION

## Westminster winners

Jessops CEO Chris Langley (far left) takes a break from the strategic review being carried out by his company following its disappointing profits forecasts to enjoy the annual exhibition of photographs by members of both Houses of Parliament.

The 2007 exhibition, which featured images taken by members of the Parliamentary All Party Photographic Group, is the sixth to be sponsored by Jessops. Six images are selected by a panel of

judges with the winning photographers receiving £100 to be donated to CLIC Sargent, Jessops' chosen charity. Proceeds from the sale of calendars and photobooks featuring many of the best images in the exhibition, also go to the charity.

The exhibition, which will be touring Jessops stores later in the year, is an annual event. It's hoped that the strategic review will be just a one off. Results of that are expected to be revealed in May.



# Oops!

A quick apology to Jason Mitchell of Camera World and Julian Mitchell of 1st Cameras for getting the two of them mixed up in the last issue of Newsline. It was Jason Mitchell of Camera World whose comments I quoted in my story about the launch of Kodak's new low price ink cartridge-based printers, not Julian. Now, where did I put my medication -NURSE!!

# Cross check those vital statistics

Peter Corbett analyses the latest batch of figures from Gfk and puts them into context

It's easy to get a dose of déjà vu when you look at the stats that come to us from Gfk each month. Very little seems to change month by month but instead of looking at them in isolation, check them out against each other and a much clearer picture of the all-important trends emerges.

Take for instance, sales of digital still cameras. It's long been predicted that they would peak, probably this year, and that's just what appears to be happening. In September last year the year on year volume increase was 11.7 per cent, 2.3 per cent by value. The next month the increases were down to 9.4 per cent and 0.6 per cent while in December there was actually a fall in values though volume was still up, by 6.2 per cent

And now, at least to the end of February? Volume is still up but by a dwindling 3.5 per cent while value is even further down, to just under 4 per cent in fact, and this despite the fact that people are buying ever better specified cameras. Anyone want to bet which month will see the volume total also move into the red?

Even the apparent good news in the latest stats, that lenses and imaging accessories such as bags, tripods and waterproof housings were flying off the shelves, is tempered by the February 2007 figures - sales were down on the previous month, as were those of memory cards.

And just in case you think the UK market is different from anywhere else, Gfk has released figures which show that while DSC sales in Austria were up by a very healthy 23 per cent and a reasonably satisfactory seven per cent, they were achieved by every kind of retailer you can think of. Other than photo specialists, that is. Figures show that photo retail was the only channel not to have benefited from higher volume sales.

So, is there anything positive to be read from the February 2007 stats? Well, yes. For while sales of imaging accessories and lenses were down, they're still selling at well over double the rate a year earlier and, as the fact that percentage drop in value was more than the drop in volume shows, there is margin to be had from these products.

The challenge to retailers is obvious.

Market data for the year to February 2007 compared with year to February 2006.

|                       | Value % change | Units % change |
|-----------------------|----------------|----------------|
| Digital Still Cameras | -3.9           | 3.5            |
| Lenses                | 84.0           | 79.7           |
| Memory Cards          | 5.3            | 17.4           |
| Imaging Accessories   | 124.7          | 113.0          |
| Film Cameras          | -64.9          | -55.1          |
| Film                  | -32.8          | -31.5          |
| Binoculars            | -18.3          | -16.2          |

|                      |             |              |
|----------------------|-------------|--------------|
| <b>Total imaging</b> | <b>-1.0</b> | <b>-14.5</b> |
|----------------------|-------------|--------------|

*Imaging Accessories is Converters, Image Device Bags (eg. Camera bags), Tripods, Waterproof Housing*

## Sales of Digital Still Cameras value (£ million)

|                 | Value (£ mn) | % change on 2006 |
|-----------------|--------------|------------------|
| less than 2mp   | 1.1          | -62.9            |
| 2 to 2.9 mp     | 1.7          | -81.1            |
| 3 to 3.9 mp     | 26.6         | -62.8            |
| 4 to 4.9 mp     | 45.1         | -75.1            |
| 5 to 5.9 mp     | 148.1        | -50.9            |
| 6 to 6.9 mp     | 279.0        | 149.2            |
| 7 to 7.9 mp     | 136.4        | 37.9             |
| 8 to 8.9 mp     | 109.5        | 2.6              |
| 9 to 9.9 mp     | 13.8         | 119.6            |
| 10 to 10.9 mp   | 98.6         | 3,065.6          |
| 11 to 11.9 mp   | 0.1          | -69.6            |
| more than 12 mp | 14.4         | 6.2              |
| <b>Total</b>    | <b>876.6</b> | <b>-3.9</b>      |

## Sales of Digital Still Cameras Units (thousands)

|                 | Units (thousands) | % change on 2006 |
|-----------------|-------------------|------------------|
| less than 2mp   | 63.2              | -44.9            |
| 2 to 2.9 mp     | 22.3              | -68.8            |
| 3 to 3.9 mp     | 575.3             | -39.9            |
| 4 to 4.9 mp     | 490.2             | -65.3            |
| 5 to 5.9 mp     | 1,347.9           | -26.1            |
| 6 to 6.9 mp     | 1,699.9           | 266.3            |
| 7 to 7.9 mp     | 777.9             | 98.4             |
| 8 to 8.9 mp     | 375.2             | 66.1             |
| 9 to 9.9 mp     | 49.1              | 200.7            |
| 10 to 10.9 mp   | 267.2             | 8,090.7          |
| 11 to 11.9 mp   | 0.0               | -53.4            |
| more than 12 mp | 9.4               | 69.5             |
| <b>Total</b>    | <b>5,678.8</b>    | <b>3.5</b>       |

Source: Gfk Marketing Services

# Kiosk installations to soar

James Wells from analysts Understanding & Solutions looks into his crystal ball and predicts that kiosk installations are set to rise dramatically over the next few years

The instant print kiosk has come a long way since it first started to penetrate the market back in 2004. In 2005 the number of kiosks installed across the UK grew by 80 per cent, and then a further 53 per cent in 2006 to reach 5,500.

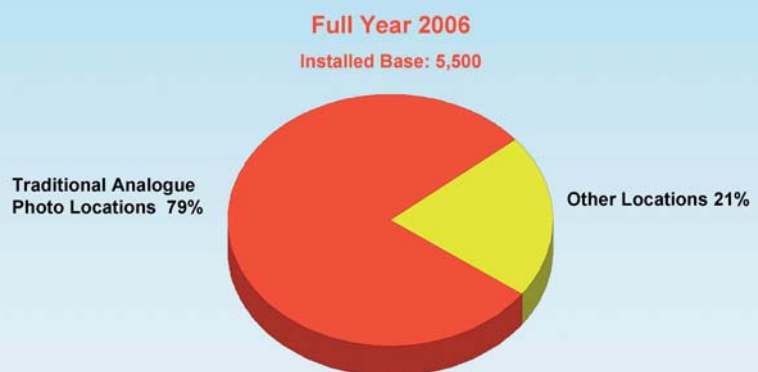
Instant print kiosk installations in UK have been driven predominantly by Kodak, PhotoMe and Mitsubishi, who together represented 88 per cent of the installed base at the end of 2005. New kiosk brands, such as Noritsu, 4KS and Sony SnapLab, have started to enter the market, although at the end of 2006 it was still the original Big Three that dominated the UK market, with 79 per cent of the installed base.

A key driver of Kodak and PhotoMe's rapid deployment of kiosks over the past three years has been the revenue share model, whereby the vendor provides subsidised hardware to the retailer in return for a share of the consumables revenue. By the end of 2006 65 per cent of the total UK installed base was made up of different variations of the revenue share model. Mitsubishi on the other hand has opted to focus on the outright sale approach through a network of distributors.

Looking to the future, we expect the UK installed base to grow by a further 38 per cent to reach 7,600 by the end of 2007, and 11,000 by 2010. In the UK, despite running some tests, the four 'big' supermarkets have yet to commit to instant kiosks, and therefore offer the largest potential for developing the UK installed base. However, at Understanding & Solutions we also believe the photo and camera specialist channel has some way to go before there is no market for further installations. At the end of 2006 there were just over 2,000 instant kiosks installed within the photo and camera specialist channel – we believe this will grow by a further 60 per cent by the end of 2010.

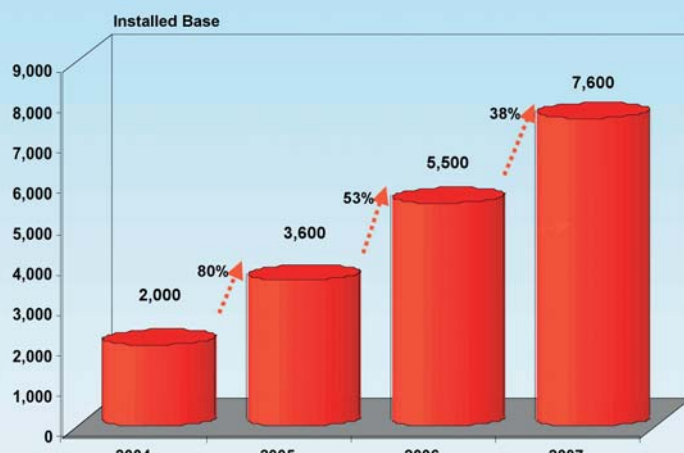
Across Western Europe and the UK it is the traditional photo retail 'Over the Counter' locations (typically photo and camera specialists and chemists in the UK) that have emerged as the dominant sites for placing instant kiosks. In the UK only 21 per cent of the installed base at the end of 2006 was located in 'non-traditional' photo locations such as railway stations, motorway services and malls. Growth of placements across non-traditional photo locations has been slowed by relatively low burn rates (prints per day per kiosk) when compared to traditional photo locations. On average, across specific non-traditional photo locations, burn rates are as low as 15-20, compared to well above 100 (on average across all stores) for the leading photo retailers.

## Installed base of Instant Print Kiosks is mainly Located within the Traditional Analogue Photo Locations: UK



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## The Number of Instant Print Kiosks has Grown Rapidly over the Past Three Years: UK



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Looking at the overall photofinishing picture, prints from instant kiosks represented just six per cent of total digital print demand across the UK in 2006. However, instant kiosks do offer a high value proposition for the retailer, driven by demand for the convenience of quick turn around prints by the consumer and representing

eight per cent in value terms.

In 2006, print volumes from instant kiosks grew by 42 per cent to 135 million prints and we expect print demand from instant kiosks to grow in-line with total print market growth and reach 177 million prints by the end of 2007.

# Taking the long view



Binocular sales are falling – or are they? Peter Corbett found that the picture wasn't quite as clear as the stats might suggest.

When I first started to research this feature, I had a simple aim, OK two simple aims, in mind, firstly to find out why the sale of binoculars through photo retailers was in decline and secondly to find out what those who were selling them successfully were doing that those who were so successful weren't. But almost straight away I found that, like so many things in life, things ain't quite as simple as they appear on the surface and those three magic words, It All Depends, came into play.

What prompted me to look at binoculars was that they have long featured in the monthly GfK stats Newsline publishes and for some time had been on the wrong side of the balance sheet, down 16.6 per cent by volume in the year to January '07, and 17.1 per cent by value.

Binoculars have long been an almost staple addition to the list of products stocked by photo retailers, they kind of go hand in hand with cameras and they've traditionally offered good margins. So what's gone wrong?

First port of call was GfK, just to confirm the scope of its survey. It covered, Anthony Norman told me, sales of binoculars through both specialist photo retailers and other retailers who also sold a reasonable amount of photographic equipment. It did not cover dedicated optics outlets, both brick and mortar and internet, organisations such as the RSPB and so on, but it did cross brands so that both top end makes costing several hundred pounds or more are included along with yer actual £19.99 models.

And this is perhaps where things start to get a bit blurred, if you'll pardon the optical pun. Swarovski, Minox and Nikon, for instance, told me that their own sales were on the up.

When I was talking to these companies, one of the things that came over strongly was the importance they attached to their relationship with their stockists, with constant product training and updates available to staff to avoid the problems encountered by our Mystery Shopper last year when he/she asked a variety of stores across the country for their advice on buying binoculars.

To recap on that for a moment, our MS was faced with an almost unbelievable lack of knowledge, even of interest, among staff in photo retail stores of all sizes, with only one or two

stores both able and willing to answer basic questions, help identify the right model for our MS and give the kind of service he/she would have automatically been given if he/she had asked about a DSLR.

So what do those manufacturers do to make sure those warm and wunnerful folk they entrust with their products justify the faith they have had placed in them by selling those products?

John Brinkley, MD at Swarovski Optik in Surrey, said that his company's products were sold in the UK through a total of 112 Optical Centres, each of them handpicked. Managers and sales staff from all of these retailers paid regular visits to the Swarovski factory in Austria where they could be updated on new products and developments, see how and where the company's binoculars, telescopes and other optical products are made and take part in both training sessions and social events.

They were then completely familiar with every product they stocked, with the result that even though some of them cost well over £1000 Swarovski products continued to sell more year by year.

It also meant, he said, that if the company itself was contacted by someone interested in buying Swarovski, they would have no hesitation whatsoever in pointing them to their nearest Optical Centre where a goodly range of products would be guaranteed to be in stock and there would be product skills aplenty behind the counter.

Agreeing that his company operated in a specialist area within the overall optics market, he said that he felt the problem faced by retailers selling binoculars at the lower end of the price range was compounded by confusing newspaper advertisements for binoculars, telescopes and other optics at rock bottom prices.

Just to confirm this, as I was writing this piece an ad popped up in the Mail on Sunday for a pair of £29.99 binos which claimed to be able to let users see up to 30 miles. No tekkie details, nothing. And of course you can only see for 30 miles if there's nowt in the way, no trees, no houses, no hills. No nothing.

"Binoculars are a very personal choice," says John Brinkley. "People need to be able to go to a



The Camera Shop in Perth clearly shows it's one of Swarovski's approved Optical Centres.



Chris Packham's endorsement adds kudos to Nikon optics

shop where there is specialist knowledge and advice – and where the sales staff knows how to close a sale or their customer will leave with all the information they want and buy from the internet.”

Chris Coleman of Newpro who distributes Minox products in the UK, said that like other product segments binoculars had become “competitive but not as silly” as with cameras, but he still felt they had a future in the photo retail trade.

“What is important to note,” he told me, “is where there is a quality, long term established dealer who takes the time and trouble to service the bino market properly they do well. . .

“In our limited experience with binoculars we have found that the service and knowledge offered out of good quality dealers is very good indeed. These dealers are aware that there are specialist optical dealers out there who have a wealth of knowledge and if they do not compete at this level they cannot succeed.”

I asked him about product knowledge among sales staff. “At the low end - below £100 - it may not matter too much if staff is not well trained,” he said. “Binoculars at this level may not be terribly glamorous and could well be taken for granted, but once a move is made into the hundreds of pounds customers tend to want knowledge and service.”

Do they offer staff training? “Yes, very much so. We are happy to do this on any day at any time that suits our dealers and in our case it's often long before 9am!”

He went on: “My opinion has never wavered with regard to the UK photo dealer. It's never too late. Yes, they may have to change their thinking a tad because as I said, there are some very good, knowledgeable and well trained optical and hunting dealers who also like to sell binoculars.

They will not give business over easily just because once upon a time binoculars were the domain of the photo dealer. It's our opinion that binoculars are great products for independent photo dealers as they often have the ability to handle and explain optics to customers.”

The majority of Nikon's sport optics business is done through independents, Kate Cartwright confirmed. “Our business is up this year and the retailers we sell through are also saying this with quality products like the Nikon HGL binoculars (which are used for hobbies like bird watching) performing extremely well,” she said.

Nikon operates a Binocular Specialist Dealer Scheme with approved dealers boasting their appointment through specially created signage. Nikon also heavily promotes its optical products, with celebrity endorsements from Chris Packham, for instance, giving the range extra kudos.

Going back to our Mystery Shopper feature, top of the bino pops was one of Jacobs' branches, where, to quote our MS, “[The salesman] was the only person who assembled [all the information I had been given] into a coherent picture while holding my interest. His explanations were not just academic. He knew how to sell.” And that combination of product knowledge and customer and sales skills is central not only to the binocular question but also to all successful retailing.

Elliott Jacobs, Business Development Manager in the Leicester-based family owned company, told me that binoculars and optics in general were an important part of a balanced category of products within a Jacobs store.

“We stock Jacobs own branded binoculars from £14.99 all the way up to the expensive Leica range in selected stores,” he said. “The basics of binoculars are simple to grasp and easy to demonstrate to customers and my advice to other stores looking at binoculars is that there is a

## Product knowledge and customer skills are... all too often missing from the binocular equation



Minox's new 10x42 BV sport binoculars.

margin opportunity there but the market does have clear seasonal fluctuation.

“You should think, where else can a customer go for a pair of binoculars on your high street? If there's nowhere, why not try it.”

### Clear message

So, the message is clear. Binoculars may not be as sexy as the latest DSLR and you don't have to be Einstein to work out how to use them but that's not to say they're not technically advanced. Some of them – and we're not just talking about the top end models – are pretty sophisticated, with highly developed optics and years of serious R&D behind them and they need to be actively sold.

Simple questions spring to mind: do the world and his wife know you actually sell binoculars? Does your shop front carry any kind of manufacturer's endorsement? Do you display binos in your window? Is your staff's product knowledge and customer skill as sharp as it might be? Crucial questions for sure but, as our Mystery Shopper found out, they're all too often missing from the binocular equation.

And just to underline that lack of product knowledge – or perhaps lack of respect for the customer – I heard an anecdote about a woman who was interested in buying a pair of binos at a wildlife fair – and remember that people who go to these events are more likely to be serious buyers.

She asked one stand holder what the difference was between the designs with 'straight' barrels on the stand and ones she had seen on other stands which had the more traditional zig zag ones. Presumably to justify his company's roof prism-only range, the stand holder said that the straight binos were better because the light took longer to get through the angled ones.

Scientifically strictly correct I think, but I ask you...



# On the Chisholm Trail

Phil poses the rather intriguing query: are your photographers working in the nude yet?

That statement will probably conjure up all sorts of images in the mind's eye but during a recent frank exchange of opinions of the pros and cons of working from home revealed not only that some anti-social tendencies had been developed, but also that some, shall we say, reclusive practices were being established.

I must admit to being a new recruit to the army of professional home workers. Back in 1997 having closed down my expensive 30-year-old town centre studio and putting myself into semi-retirement from photography, I became a weekend wedding photographer.

I moved into my music room at home, and here I am ten years on, a university qualification in digital photography later but burdened with the dubious asset of an extra five stone in my weight from sitting in front of the computer. And having myself joined the ranks of the nearly dead, a graphic example of the consequences of working a 12 hour day and of the downside of working from home, that's one practice that should really carry a health warning.

Some of the comments from the exchange of experiences focused on hygiene, with one of the wives commenting: "These days he doesn't shave and hardly washes between shoots and even when he is not out, I still never see or speak to him, because he is in front that damnable computer."

But it's not just the men who change when they start working from home. A recently married and even more perturbed husband of a photographer commented: "You think that's bad! Last week I woke in the very early hours to the glimmer of a flashing monitor in the bedroom. Raising myself up in bed and rubbing my eyes revealed my wife who had previously been beside me in bed, now sitting totally naked at the bedroom desk editing a client's wedding pictures.

"When I asked, "what are you doing?" a curt "go back to sleep" was her answer. "In that one

**"Whether you're a photographer, bank worker or an estate agent your laptop becomes your office"**



**Relationships can get a bit strained when you work at home!**

moment, I realised my honeymoon was over."

Just as email has dispensed with the telephone conversation, this insular world of home working is actually changing the very fabric of the way in which we do business. If you think the social consequences are already high, just imagine things moving to the next logical conclusion, with broadband and laptop computer emptying the city office blocks. Remember that a city centre office block is worth ten times more in value as apartments so don't for one minute think this will never happen. When a business has its workforce working from home, or even from a car, they get rid of business rates and all other expenses of running an office.

The software tools to enable them do this are becoming readily available, typically with the Photo Order Press software used by 400 UK

newspapers. With Wi-Fi and soon Wi-Max (Wi-Max wireless broadband connects up to 30 miles away from the transceiver and transmits information ten times faster than a 3G phone) and a web browser, it allows photographers in the field to upload hi-res images, crop, edit and caption. And there is no software required on the user's computer, it is all hosted from a central server.

Whether you're a photographer, bank worker or an estate agent your laptop becomes your office and the internet shop window your customer interface. In January High Street sales dropped by 36 per cent, the lowest level in trade for twenty years, yet I can report that my Internet sales are 86 per cent up on last year. Nuff said?

Oh, before I forget. My colleague has sadly put a stop to his wife working in the nude. He bought her a Mac BookPro with built in iSight, and now that Skype comes with voice and pictures he put an end to such revealing practices in the bedroom.

# Ten ways to survive as a specialist retailer

This article appeared in Retail Week magazine issue April 5, 2007. It is so pertinent to our industry that we felt that we would want all our members to read it and we are grateful to Retail Week for allowing us to reproduce it.

Jessops' dire predicament shows that a niche offering alone will not protect specialist retailers. Katie Kilgallen and Amy Shields find out what they need to do to keep the generalists at bay

## 01 GET THE PRODUCT RIGHT AND ENHANCE ITS APPEAL

A specialist retailer must, by definition, offer the best product and the deepest ranges, but that is not always enough when pitted against compelling supermarket offers.

Verdict chairman Richard Hyman says: "Jessops has been rolled out on the back of emerging technology that made the market look bigger than it is. By the time the technology reached the mass market, the price had come down and you could get a digital camera in Tesco for £100. In order for Jessops to make a living, it has to have something that Tesco hasn't got."

Retail Knowledge Bank senior partner Robert Clark says that, in Jessops' case, its appeal is too narrow. He believes that product innovation is an essential requirement and that, when done well, product presentation can also extend the customer base.

Homebase, for example, created a new market for itself by making a concerted effort to woo female shoppers, rather than relying on the male DIY customer traditionally catered for by market leader B&Q.

**A niche offering alone will not protect specialist retailers**

## 02 MAKE YOUR SHOPS GENUINE DESTINATIONS

A specialist store should meet – and ideally exceed – customer expectations.

The shopper has decided that it's worth making a beeline for your store, but if they are then let down, it will be hard work luring them back.

Private equity-backed store group Pets at Home has turned in a storming performance by ensuring that its passion for animals and all that they require shines through in everything it does. Trading director Catriona Marshall says: "The best way to fight the mass-market retailers is to create a special environment. The interaction with the customer makes shopping feel like a special occasion."

Similarly, prior to its takeover by HMV, bookseller Ottakar's managed to present itself as a local independent store for book lovers, rather than a faceless PLC.

## 03 EMPLOY EXPERT AND FRIENDLY STAFF

Specialist retailers should communicate enthusiasm and display exemplary product knowledge to create a sense of shared excitement with shoppers. Majestic Wine is one of the best examples of a retailer that has acquired a reputation for customer service excellence and real passion for products.

Likewise, camera retailer and rival to Jessops Warehouse Express provides in-depth training for all its call centre staff. As part of their development, they receive at least a day's training from manufacturers each month, which keeps them up to speed with product developments. Carphone Warehouse, which built its reputation on the quality and independence of its advice to consumers, is another star in this area.

**Specialist retailers should communicate enthusiasm and display exemplary product knowledge**

Hyman says: "The market share that generalists have gained has been established on the back of factors such as price and convenience. The supermarket model is not easily adapted to offering real expertise and significant levels of customer service on the shop floor. They are getting better, but there is still a huge gap."

## 04 BUILD RELATIONSHIPS WITH SHOPPERS

Consumers are used to retail sites that make recommendations based on previous purchases and known interests, but often that is not the case in shops. Booksellers have made an effort to establish relationships with readers by displaying reviews and recommendations by staff on shelves.

Ernst & Young partner and head of retail Gavin George cites the personal shoppers employed by some fashion retailers as a good example of how to build relationships with customers.

"It's a good way to differentiate yourself and it's something the generalists can't do," he says.

Retailers can also modify their stores to court a wider customer base, George points out. W H Smith's travel stores, for instance, allow the retailer to appeal to a different group of shoppers than those that frequent its high street stores.

## 05 ENSURE YOUR BUSINESS HAS PERSONALITY

It's harder than ever to stand out on the high street, but those that do will be at the front of shoppers' minds. In the hard-fought fashion market, Ted Baker has built its idiosyncratic brand around the imaginary character behind the business's name. So real a personality is Ted that managers ask themselves: "What would Ted think?" when they consider the company's next step.

Body Shop was established on ethical and environmental foundations. The brand's unique world view gives it a key point of difference and a highly distinctive product on crowded high streets. Its campaigning stance established a relationship with customers that went far deeper than transactions.

In the food sector, independent group Booths has held its own against the grocery giants by relentless focus on good products and good service.

## 06 TAKE ADVANTAGE OF ALL CHANNELS

While e-tail giants such as Amazon relentlessly push into new categories, cyberspace offers rich pickings for specialists.

As Tesco and others have pushed into the electricals market, DSGi has responded by changing the balance between its stores and online arms. The retailer took the brave decision to shift its famous Dixons brand entirely online and remodel its Currys high street outlets to provide a wider product range. George says the decision allowed DSGi to make the most of integration opportunities within its business stable.

Bookseller Waterstone's, which launched its revamped web site in September last year, can also take advantage of multichannel opportunities to enhance its reputation for depth of range and customer purchase options, says George.

## 07 TAKE AN ADAPTABLE APPROACH TO MANAGEMENT

Clark says that quality of management is more vital than ever to ensure specialists' success.

"Management has to have the skills, adaptability and breadth of vision to take the business forward," he observes. Tesco is the deadliest enemy of many specialists, but they would do well to replicate its management



In order for Jessops to make a living, it has to have something that Tesco hasn't got

Jessops is under fire, but is its appeal too narrow?

approach: relentless focus on customers is the order of the day.

Jessops acknowledged its management shortcomings at the time of last week's [March 28] profit warning. The chairman and commercial director are both standing down, while chief executive Chris Langley has instituted a comprehensive review to ensure the business is put back on the path to growth.

## 08 GET THE PRICE EQUATION RIGHT

Ever lower prices have decimated many specialist retail categories, such as books and electricals, whose status traditionally allowed them to charge more. Those days are over, but adding value can enable specialists to respond to price pressure. Specialists may be able to shift towards the premium end of their markets.

However, Hyman warns: "Going premium has to go hand in hand with the cachet of a brand – the uniqueness of product and service."

George says it is vital that specialists are perceived to be price competitive, but there is some room for manoeuvre. He cites the example of wine retailer Threshers: it often runs three-for-two promotions, but its products may cost more individually than they do in supermarkets.

**Relentless focus on customers is the order of the day**

## 09 ENHANCE THE CUSTOMER EXPERIENCE

Booksellers have been among the leaders in changing their stores to reflect how customers use them – sofas and coffee bars are de rigueur these days. In the same way, Apple has made its Regent Street store an internet cafe-style hang-out for aficionados of the brand and tech-heads, as well as a retail outlet.

## 10 KNOW YOUR ENEMY

General retailers and supermarkets want to eat specialist store groups' lunch. They alight on best-selling lines and tap into emerging categories. Increasingly, the strength of their offers rivals that of some specialists. As Seymour Pierce analyst Richard Ratner says: "Previously, being a specialist was the way to survive. That has been turned on its head."

But specialists can learn from what their generalist adversaries are doing. Just as the grocers encroach on particular markets, specialists can turn the tables by learning from their competitors' activities and second guessing their next moves.

Hyman says: "I would recommend that every specialist retail board gets hold of the Tesco Direct catalogue and leafs through it – it will be very educational. Virtually no retail sector will not feel the pinch, but Tesco will never become a euphemism for UK retail. Consumers want different things at different times; they want choice."

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