

THE PHOTO MARKET IN SPAIN FEBRUARY TO JULY 2002

THE SPANISH ECONOMY 2002. OVERVIEW.

The Spanish economy has maintained a sustained growth, being estimated a year on year growth rate of the GDP of around + 2% in the Q2, according to the last quarterly report of the Spanish economy released by **Banco de España**. Other sources estimate a total year growth of 1.7%

It can be expected that the slowdown of 2001 has touched bottom at values mentioned above, what means a favourable situation to consolidate this growth rates in the coming months, in parallel with a recovery in the world economy.

House hold spending: private consumption and house purchases has been the most buoyant component of final demand in the Spanish economy during Q2.

RPI stood at 3.4% (moving annual rate) and the growth of employment has slowed.

Banco de España finally remarks the actual conditions for a more dynamic trend of the Spanish economy, but keeping in mind that the international uncertainty may damage the climate of confidence required.

Source: extracted of economic bulletin July 2002. Banco de España

PHOTOGRAPHIC MARKET

The spanish photographic market – as far as cameras and films are concerned- shows a nice two digit growth in value terms: + 14.2% in the first six months audited in 2002. No need to say that the extraordinary growth of digital cameras sales : +132 % in units (+ 89% in value terms what means a price decrease of 19%)- explains basically this positive trend as the analogue cameras segment declines by 6% in units

Regarding Still films (excl. Instant) the market shows a slight growth of 1% in units. It's also important to notice the growth of memory cards with rapid evolutions of features and prices

Let's analyse the single market separately

STILL CAMERAS

The Still Cameras market, considering both analogue and digital segments, had a positive performance in units: +3%, and most important in value: +22%.

Digital Cameras have taken a big portion of the camera market:

- In units, increases from 6.6% share to 15%
- In value from 28% in the first six month 01 to 44,1% share in the same period 2002.

Keeping this picture in mind let's focus in both segments separately.

ANALOGUE CAMERAS

The market declines by 6% in the year to date 2002, with a slight trade up as drop in value is 4.8%

All main segments are performing worse than in 2001: Reflex, compact and Instant Cameras.

REFLEX CAMERAS, have a negative trend of 5.7% in units and –7.8% in value terms, what means a price drop of 2.3%.

Related market share, Reflex cameras accounts for 10% of the cameras sold and 33% in value terms, figures which are quite similar to those of 2001.

Most of them are AF – NO AF reflex hardly represent 4% of all reflex sold. Regarding prices we are to remark the growth of sales below 350 €.

Focusing now in **LENS SHUTTER CAMERAS**, the market is also negative: -4.3%, but in the contrary, average price increases nearly 2% due basically to the different performance of the various types.

35 MM COMPACT CAMERAS, with a decline in units of 4% have a price increase of 4.2% due to the growth of zoom cameras while the other main segment, **APS**, have more negative trends, -7.8% in units and even worse in value -20%, it means that the average price op APS cameras is 13.2% lower than in 2001, due to the drop in the sales of zoom cameras.

Out of these performance APS shows it's worse results specially in terms of value: lost of 0.3 share points but 2.2 points in value.

The trends of the segments is also quite different.

FIXFOCUS, have negative results: -12.7% in units and -11.5% in value, and accounts 23% of the units and hardly 10% of the value.

Is remarkable that the drop of the segment is due to 35 mm cameras with negative values as for APS fixfocus 2002 has been successful in terms of units sold. This positive trend has to do with very cheap cameras so the average price reduced by 13.7%.

Anyhow, APS, hardly goes from 5.2% to 7.3% of all fixfocus cameras sold

AF STANDARD cameras have the worst trend in 2002 , losing 17.3% in units and 15.2% in value. As described above for fixfocus 35 mm and APS show opposite trends. The first one drops by 19.3% in units and APS rises + 5.8%, what means that APS accounts for 10.5% (13.5% of the value) of the segment, but again APS cameras sold at lower prices than in 2001

ZOOM: Let's start the analysis of the most important segment, 52.7% of the units sold and 73.2% of the market value. And not only the most important, but the only that keeps growing : + 8% in units not as much in value: +2.5. Two main facts are behind this clear trade down: lower prices in 35 mm and a very high decrease of APS sales.

Actually, zoom 35 mm rises 11.5% in units with a drop of the average price of 4.1% due to the positive trend of cameras sold below 100 €. APS zoom cameras show the most negative trend both in units and value; due to this fact share in both variables drops below 10% of the segment

INSTANT CAMERAS, whose sales are below 2001 figures by 23%, keeps a 7% market share of all cameras sold in the year to date 2002.

DIGITAL CAMERAS

The first six months of 2002 (February-July 2002) are extremely good for the digital business. This continuous growth in units:+132% is to be considered in parallel with the price reduction process : more resolution/quality at lower prices. Only the product mix improvement- higher CCD resolution sales- soften the drop of the average price.

Lets make the analysis according to the CCD Resolution

- **Up to 0,99 MP**, losing importance, hardly 4% of units share.
- **From 1 to 1,99 MP**, losing share from 21.5 to 13.7 % market share. The average price is 310.1 €, minus 31% on 2001
- **From 2 to 2,99 MP**: the most important segment in units and in value: 44.1% and 32.7% respectively and price reduction of 40%, from 757 € to 458€. Let's give a hint: in 2001, 15% of these cameras were sold under 500 € ,in 2002 66%. And the trend goes to lower segments.
- **From 3 to 3,99 MP** the most important "value segment" in 2001, is not performing as well, going from 30,7% to 21.6% units share and from 44.3% to 29% in value. Price reduction is also

remarkable from 1095 to 757,7 € (minus 31%). As far as price segments are concerned, 500-600 € is the leading one: 25% share. NOTE: no camera under this price was sold in the same period of 2001.

- **4 MP** and more: increasing it's importance: 14.7% in units, 29.9% in value

STILL FILMS WITHOUT INSTANT

In the first half 2002 The film Market had a slight growth (+0.9%in terms of units, + 1.1% in terms of value). All type of films generated different performance.

- Very good performance of APS, and Single Use Cameras.
- Black & White 35 mm and Colour Slide 35 mm shows a downward trend.
- And finally Colour Negative 35mm also with positive trend.

Next we will explain the several factors we have to take into account.

COLOUR NEGATIVE 35 mm EXCLUDED SINGLE USE CAMERAS

The most significant segment of the market had a minor growth of +1.1% in units while the situation in value (+1.7), because of product mix is superior, it explains the average price raise .

By channels of distribution we observe that Photo Retail are having a difficult time, it means Photo Retail Market share drops back from 79.2% in 2000 to 77.6% in 2001 and eventually 76% in 2002. This situation in favour of the Mass Merchandisers and Electro Retail (Chains & Electro Shops). Both Channels are doing quite well.

In terms of Speed, 400 ISO has reached a peak during summer period, around 21 % in units Currently 100 ISO add up to an 66.2% of the market, therefore 100 ISO suffer a decline (-5.4%) and the opposite situation is for 200 ISO & 400 ISO, the demand are growing close to 20%

Speaking about number of exposures , 24 Exp. Continuous being the leading segment with the 57% of the Market, it means the important demand of the consumers in this segment together with 36 exp, that represent a percentage of 34.1%.

However the most outstanding performance is detected in Tripack CN 35 mm films featuring the highest growth by far (+42.5%) and represent more than one third of the sales, especially in 400 ISO Segment

Basically the last point is the key reason of the trend of +1.1% in 2002 for CN 35mm Excluded Single Use Cameras.

APS STILL FILMS

In the last six months the sales of APS Still Films are growing stronger with growth rates reaching 12.3% in units terms and 13.1% turnover. (2002 vs 2001).

The most remarkable is the evolution of 200 ISO during this semester. In this period 200 ISO is the most important segment in sensibility. That segment reach a 56.6% of the APS sales.

On the other hand it is important to emphasise also in APS Segment the multipack effect in the latest semester with a similar evolution of CN 35mm

APS has a 4.1% market share of the Total Films (excluded instant films), in units, and 5.4% in value.

SINGLE USE CAMERAS

Besides the increase of APS , the segment of SUC is gaining importance step by step particularly in value terms with 8.1% of Total Market.

Opposite to the CS, B&W and Instant the advance of SUC continues.



GFK SPANISH NEWSLETTER

September 2002

The impact of the category "with flash" is of course the key reason for the positive evolution (+15.3% in volume)

In 2002, close to two thirds of the sales are models with flash, due to the important supply of the different manufacturers, it means an aggressive price policy, promotions, and a strong demand of the users

COLOUR SLIDE 35 mm

The evolution for Colour Slide 35 mm has been negative, in comparison with first semester of 01, it means the decline of this kind of film during the first half. (around -9%).

Colour Slide 35 mm represent a 5.3% market share units of the Total Films (excluded instant films), and 9% in value.

This is not only a situation in the CS Market but also applies to the sales of B&W Films.

BLACK & WHITE 35 mm

There is no sign of a recovery of the B&W Market. The turnover dropped to a level of 4.8% below semester last year 2001, and the volume declined by even 4%.

In terms of units B&W represents 3.1% of the Total Still Films.

Therefore Our figures have shown that sales are starting to drop at the beginning of February 02.

INSTANT FILMS

Finally, we analyse this segment separately of the Total Still Films.

The sales of Integral Instant films, dropped by 10% in 2002 due to the impact of negative trends of Instant Cameras sales. Currently, we observe a weak demand for this product category

MEMORY CARDS

This year 2002, is the first time, GfK Spain provide a short summary about the evolution of Memory Cards Market as a complement of Digital Cameras and alternative in a long term of the traditional Still Films.

The Memory Cards Market has seen a tremendous growth of units sales (+289%) and 159% in value terms, because of the average price decreased from 120.8 € in Feb-Jul 01 to 82.3 € in 2002.

In general terms this success is closely tied to the overall popularity of digital technology as demonstrated by the boom in digital still cameras sales.

Most of the growth is due to an extraordinary increase of Compact Flash sales, which make up to 53% of the Total Market.

On the other hand the segment 96 Mb up to 128 Mb has to be mentioned as an increasing feature segment. In the last year its share has been going up from 7% to 25% by dwindling prices (-58%)

Therefore we expect the consumer is well disposed to spend money for memory cards with high storage capacity in Mb and will continuous stimulate the demand for the second half of 2002 and obviously for the next years.

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