



Blurring the lines between the consumer's desktop and the retail store, in effect creating a virtual store within the customer's home, will help keep retailers relevant in the game of digital imaging.

Blurring lines

By Frank Baillargeon and Meg Weston

[F/22] Consulting Inc. looks into how the line between retail and home are blurring in the photo products market

It's still too painful for consumers to create, order, and fulfill their digital imaging output products via brick-and-mortar retail stores. In fact, it's often a frustrating experience of difficult file management and an often painful upload process before they can even start to create the products they want to purchase. If, by chance, consumers wish to order various photo products, the maze to navigate can become nearly impossible.

It doesn't need to stay this way. All the tools needed to redefine the retail photo product experience are available today. Retailers can put these tools together to meet consumer needs for simplicity, ease of use, and access to exciting products.

Home ordering, retail pick up

Too often, the web and desktop ordering tools being used have been designed to mirror the online retailers' experience of capturing and sharing images. Brick-and-mortar retailers, however, have an opportunity to leapfrog to interactive web 2.0 technologies to streamline the process for a different set of customer expectations – placing the consumer at a user-friendly command center. Retail loyalty won't be gained by a strategy designed to capture and hold images. It will be gained by being the most accessible off-ramp for the products and services consumers want or need to purchase.

The rapid adoption of order-at-home/pick-up-at-retail for conventional printing (empowered by **Snapfish**, **PhotoChannel Networks**, **EZ Prints**, **Fujifilm**, and **LifePics**, to name a few, with new options coming to market from **Tripod Ventures**) has convinced mass retailers a likely dominant share of the growing opportunity

for new products will be driven from home and office PCs.

The **Walgreens** 2007 annual report noted 3 of 10 Walgreens print customers ordered via the web, and that percentage undoubtedly continues to grow for Walgreens and other traditional photo retailers. In 2008, many retail photo leaders are engaged with software developers to create and support desktop and web-based creation and ordering software applications to augment their current web-based ordering systems.

The inherent challenges

Despite all this activity, there are still high hurdles and significant pain points from a consumer perspective. To begin, there are confusing arrays of imaging software choices. It's packaged with the camera and PC they buy, it's available for free or for fee online, and often it's given to them by their retail stores. No wonder consumers are confused about what to use and how to use it.

In the next step, uploading photos takes time, patience, and effort. Differing protocols for creation and ordering require consumers to constantly master behaviors, often with steep learning curves. It isn't always easy to determine a product price until after great effort has been put into creation, and then it often isn't easy to modify the product to meet the price/value expectations. Sometimes visualizing the resulting product requires a leap of faith. Multiple products ordered from the same image usually require repeating a complex creation/ordering process rather than a simple and intuitive leap from one product to the next.

Too often, there are network issues to contend with as well.

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Interruptions, either at home or on the network, can mean the upload (or download) fails; and consumers have to start again. As consumers' lives become increasingly PC-centered, the percentage of times a session is inadvertently interrupted becomes an issue. The completion rate of products, especially photo books, is abysmally low. Typically quoted, 25 percent or less of photo books started are completed and ordered.

Consumer awareness of image-rich products today represents just a drop in the ocean. Even for those who are aware, the creation and ordering processes often do not intersect with their needs and capabilities. The good news is the category of personalized photo products and other image-rich output continues to grow exponentially – which is a great indicator of a much larger opportunity than the industry has yet to realize or even project.

Hybrid applications

This year, many photo print retailers are developing applications focused on facilitating easy desktop shopping, as well as creating and ordering an expanded suite of products, including photo books, cards, calendars, posters/collages, and photo gifts. Virtually all these products will initially be produced off-site and mailed to a home or delivered to a store for pick up.

While some retailers are currently insisting on a true, installed desktop application, it is likely the development and evolution will move toward a hybrid application providing the important benefits of allowing consumers to dive into the things they want to do (create and order), while reducing the pain they want to avoid (waiting for uploads or shopping cart activities).

Software companies such as **ArcSoft**, **PreClick**, **Visan**, **Media-Clip**, **Lucidiom**, Tripod Ventures, and others, are beginning to come forward with elegant solutions. Some have created leading product shopping experiences that are very retail-like, focusing on product merchandising, cross-merchandising, easy creation, and ordering. Business models vary somewhat, with most software companies looking for a cash element to cover some of the development cost, and a revenue share percentage on products produced and sold via the application. Some offer a percentage of revenue deal with no cash component – an attractive value proposition for retailers during this time of reduced category capital expense budgets.

Retailers also don't necessarily need to install production capabilities to offer high-quality image-rich products. There are many excellent fulfillment providers, including **EZ Prints**, **Qualex**, **Reischling Press Inc.**, **District Photo**, **Fujicolor**, and **Rastar**, to name a few.

Encouraging adoption

What's missing with all current initiatives is disciplined consumer product development and effective marketing and distribution strategy.



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The best application is only as good as its adoption. The retailers and software providers who design and deliver streams of meaningful new products supported by effective merchandising campaigns will launch a new phase of this evolution – large-scale demand generation. It is easy to foresee retailers with an effective marketing campaign and easy-to-use solutions will win this stage of the race.

The successful approach will capitalize on retailers' in-store and online customer traffic by utilizing effective merchandising of products consumers can see, touch, and feel in-store. Retailers will, at the same time, engage customers' attention and imagination online, making use of the latest techniques of web-based marketing to a consumer database supplemented by print or electronic advertising.

For retailers, this is a vitally important and urgent area that is in a very early stage. It started a few years ago when some retailers began passively distributing their own desktop image management applications that few consumers wanted or needed, along with an afterthought of online ordering that imitated online photo sites. Few retailers expected these half-hearted attempts to amount to much.

The market is now moving to interactive solutions that let customers control their own images. It will continue to evolve with the need to instantly add and evaluate numerous new products and even families of products. Retailers and vendors become imperative to the process, and opportunities to offer and support in-store, on-demand production expands. Retailers putting it all together will make the desktops in the consumers' homes or offices virtual extensions of their retail stores. Both in-store and online retailing will allow consumers to see what's new and exciting, order easily and quickly, and conveniently pick up the order in person or have it delivered to their homes.

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