MADISON LTD
DIRECT MARKETING

Parents Mean Profits for the Photo Industry

A MADISON INSIGHT REPORT
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Executive Summary BY RICHARD GREENBERG

Industry players need to better time their marketing efforts to consumer life cycles to maximize results.

The fact that new parents and parents of young children take a lot of pictures is no surprise. What is surprising is how relatively little industry marketers focus on speaking directly and relevantly to consumers in these important life stages.

This becomes a business issue when the vast majority of new parents purchase a camera specifically due to the birth of a child and take themselves out of the market for several years – given multiyear purchase cycles for equipment. It is exacerbated when the number one reported factor driving camera brand decisions is prior brand experience – potentially creating significant downstream impact and influencing every subsequent category purchase.

Evidence suggests category marketing plans fail to concentrate on the infant/young child life changes at levels proportionate to their influence on category sales. Our analysis indicates key category players should tailor and deliver more messaging and promotions specifically to expectant, new, and young parents – via direct mail, parenting magazines, and even less targeted mass media.

With this survey we hope to shed some light on this critical consumer group and photo-related consumption.

Implication: camera marketers must acquire consumers in the months and years around the birth of their child to increase chances of lifetime loyalty.

Key Findings

Having a child drives category purchase:

84% of respondents indicate they bought a new camera because of the birth of a child

49% indicate they bought a camcorder or digital video recorder because of the birth of a child

47% report they are taking significantly more photos since the birth of their last child

Prior brand experience – either a friend's or their own – is the top claimed influencer of past purchases:

34% of respondents indicate "prior experience with that brand" influenced their most recent purchase of photo equipment

15% said "referral from a friend/word of mouth" was a key influencer

But when asked what features will most influence future purchases, price, discounts and coupons dominate:

"Price" got the highest score at **84%**

"Discount" and "coupon" received ratings of **13%** and **10%**, respectively

While less important than price, "ease of use" is significantly more important than technical features or number of megapixels in making final purchase decisions.

Respondents to this survey, who are overwhelmingly women, perceive themselves to be the primary category users within their households:

Primary photo taker:	**62%** mother/wife
Handles photo processing:	**73%** mother/wife

Discount department stores have emerged as the primary retail channel in the category:

59% of respondents indicate they purchase camera & photo equipment at discount department stores

45% indicate they develop their pictures there too

Indicated Marketing Implications

1

Marketers should dial up discussion of emotional benefits (e.g., 'it's easy to capture every precious memory'), and relegate technical wizardry to a support role. The data clearly indicates this is a life event driven purchase, and that women play a very significant role in category usage. While discussion of the technical advantages that now dominate so many brands' advertising campaigns should not be abandoned, marketers should consider diminishing their presence and repositioning them around ease of use – at least when it comes to the parents marketplace.

2

Camera marketers should increase their presence in parent specific direct mail, Internet, and magazines – and create targeted advertising and offers that are timed to parents' buying cycles. **84%** of consumers buy a non-disposable camera because of the birth of their child. Therefore this moment in consumers' lives, and the months following it, provide perhaps the most significant point of discontinuity regarding category consumption – allowing marketers to either acquire or lose brand-loyal households for years, if not entire lifetimes. Knowing this, marketers need to speak to parents immediately around the birth event, and then again at that time years later when statistically they are likely to purchase again.

3

Marketers cannot ignore the importance of discount department stores in this category. As we've seen across categories, stores like Wal-Mart and Target are increasingly appealing to new and young parents. Madison research indicates this is because parents perceive these stores to offer the lowest prices, and discount department stores' one-stop-shop format offers significant benefit to increasingly time starved parents. While specialty chains like Best Buy and Circuit City remain important, they capture half the level of category purchase that discount department stores are seeing.

Survey Results

Purchases or planned purchases since birth of last child

Digital camera **55%**

Camcorder **34%**

Film camera **20%**

Single-use cameras **17%**

Digital video recorder **15%**

Digital photo printer **13%**

Instant camera **9%**

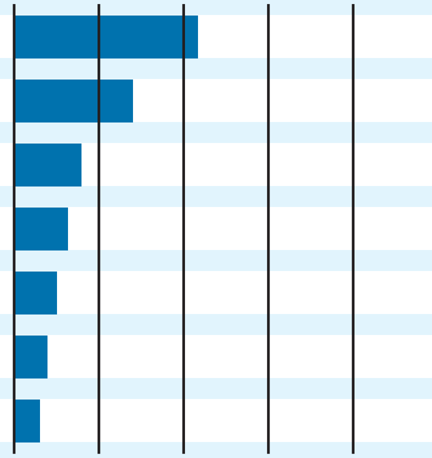


Photo usage since the birth of last child

Taking significantly more photos **47%**

Emailing photos to friends/relatives more **20%**

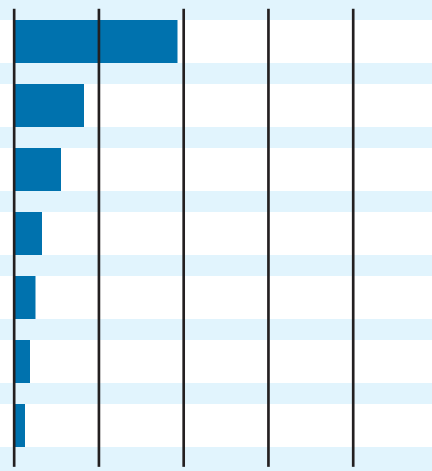
No change **14%**

Sending friends/family more printed photos **7%**

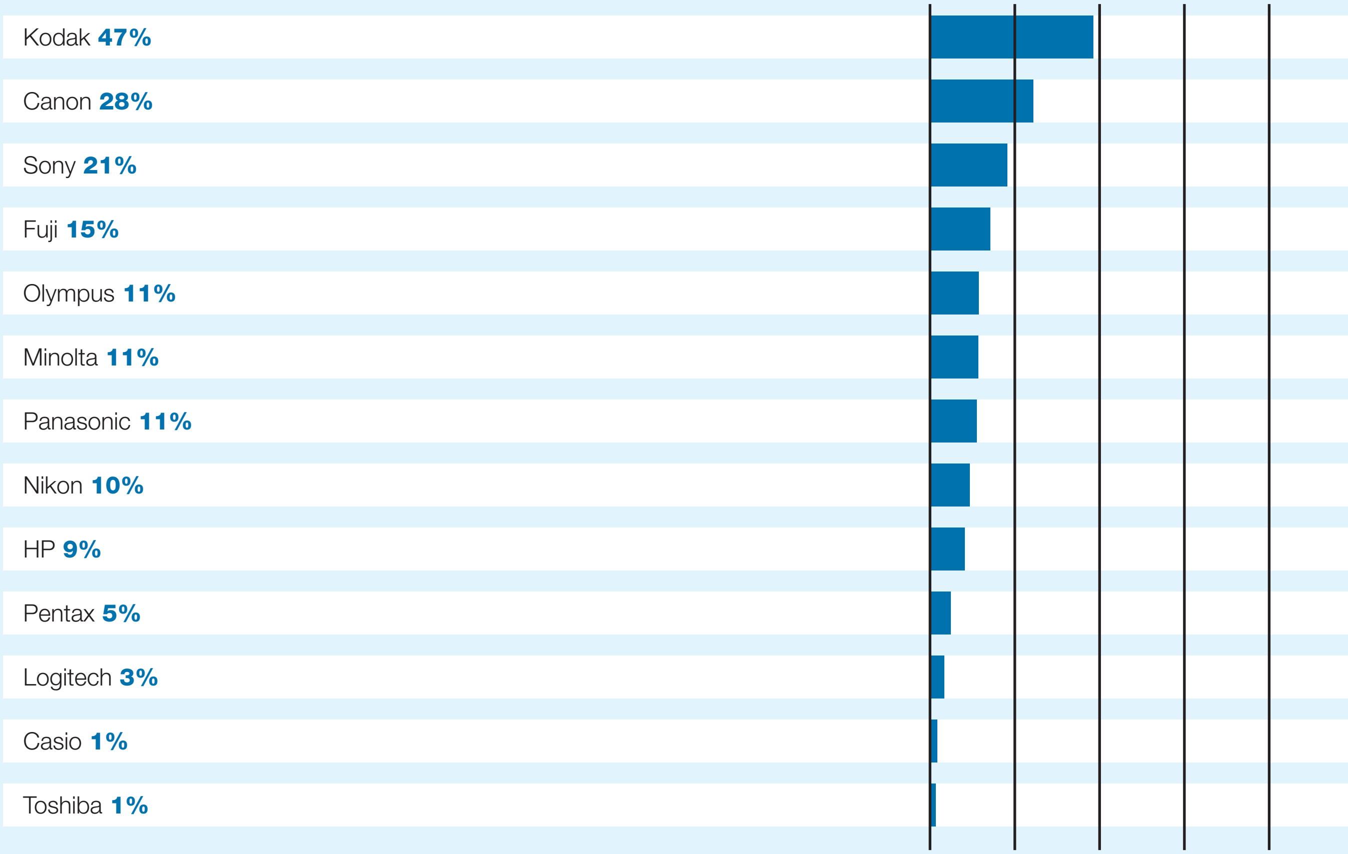
Taking fewer photos and videos **6%**

Video-taping more **4%**

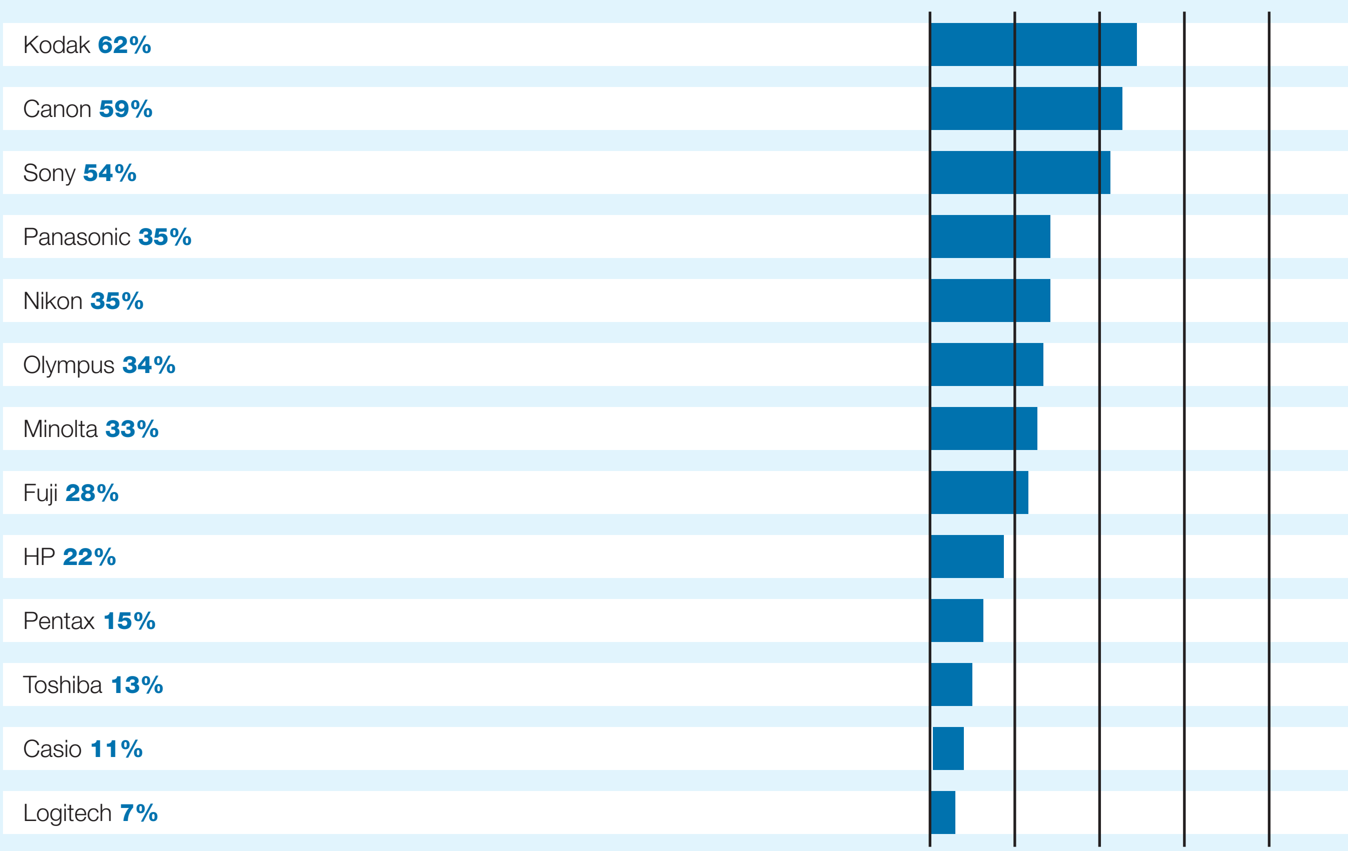
Post photos on websites more **2%**



Brand of photography equipment currently owned



Brands consumers will consider for future purchases



Survey Results (cont.)

Past purchase influencers

Prior experience with that brand **34%**

Discount **17%**

Referral from a friend/word of mouth **15%**

Retailer suggestion **11%**

Online research/comparisons **9%**

Coupon **5%**

Print advertisement **3%**

TV advertisement **2%**

Magazine article **1%**

Online advertisement/ newsletter **1%**

Rebate **1%**

Future purchase influencers – most important features

Price **84%**

Ease of use **67%**

Tech features **43%**

Brand **34%**

Number of Megapixels **22%**

Memory **16%**

Appearance **14%**

Recommendation from a friend **14%**

Discount **13%**

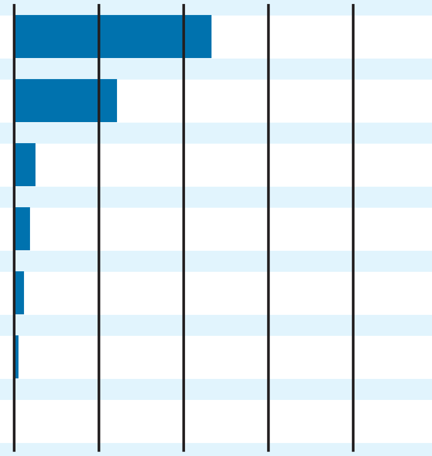
Editing features **13%**

Coupon **10%**

Rebate **6%**

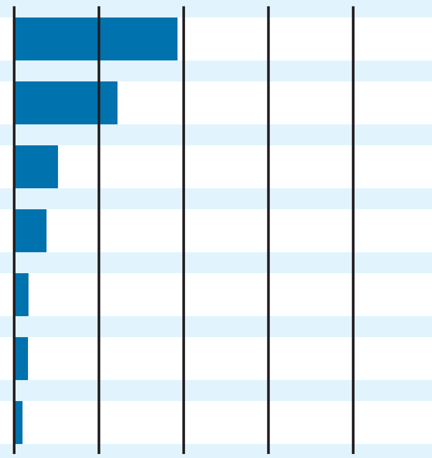
Retailer preferences when purchasing photo equipment

- Discount department store (i.e. Wal-Mart, Kmart) **59%**
- Specialty chain (Best Buy, Circuit City, J&R) **29%**
- Other **6%**
- Online (Amazon, eBay, etc.) **4%**
- Individual store or boutique **2%**
- Traditional dept. stores (Macy's, Bloomingdale's, Burdines) **1%**
- Mail-order retailers **0%**



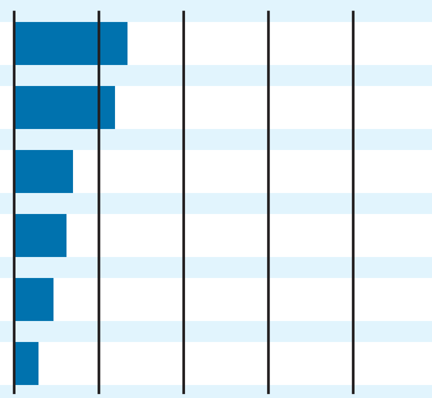
Film developing preferences

- Discount department store **45%**
- Drug store **26%**
- Warehouse club **12%**
- Supermarket **9%**
- Camera store **3%**
- Through the mail **3%**
- An online photography service **2%**



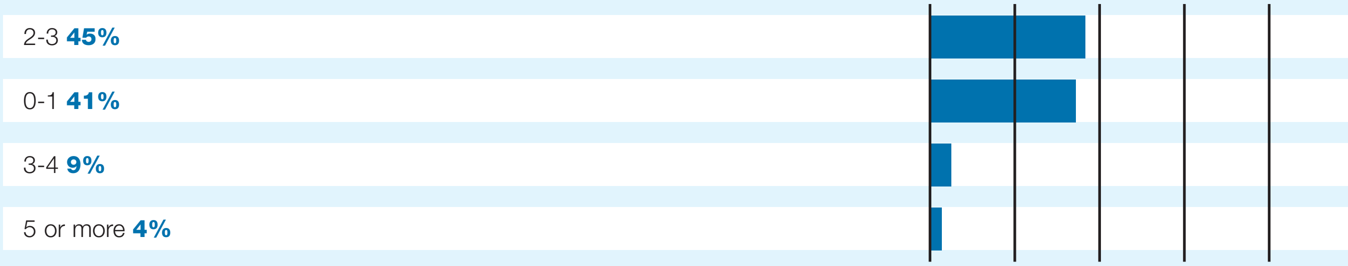
Online photo services used

- Other **33%**
- Snapfish **30%**
- Ofoto **19%**
- Photo Works **18%**
- Shutterfly **15%**
- Club Photo **7%**



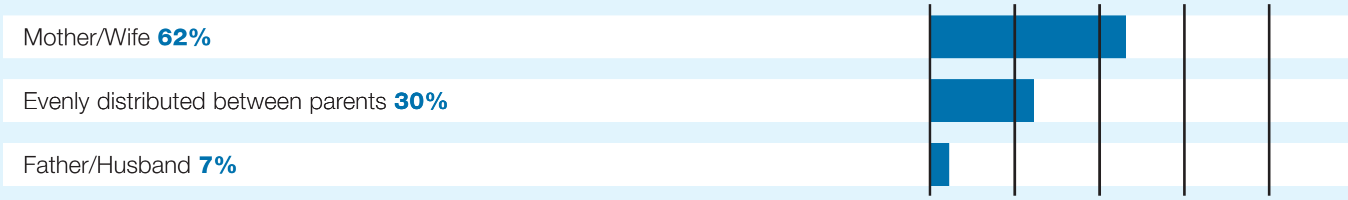
Survey Results (cont.)

Average film purchases per month

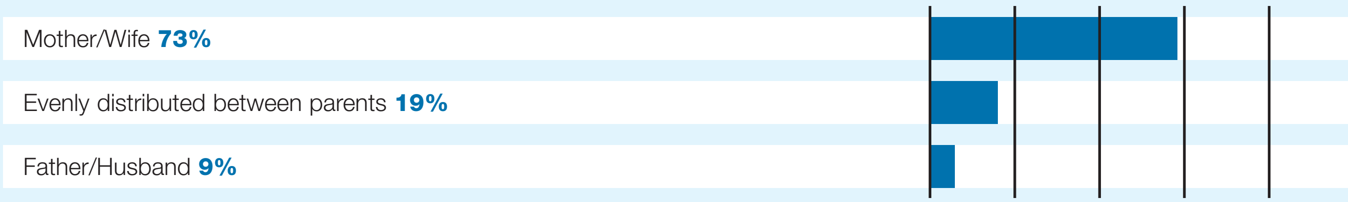


Average digital photos per month

Primary photographer within family



Primary photo processor



Survey Details

This report concludes the responses of 411 recipients of Madison Direct Marketing's Novaparenting branded mailers who are actively registered at www.novaparenting.com.

Date Fielded: April 2003

Age of Respondent	
25-29	**30%**
30-34	**26%**
18-24	**19%**
35-39	**13%**
40-44	**6%**
over 45	**6%**

Gender of Respondent	
Female	**97%**
Male	**3%**

Number of children in household	
One	**44%**
Two	**30%**
Three or more	**22%**
Zero	**5%**

Children older than 5 in household	
Zero	**63%**
One	**20%**
Two	**12%**
Three or more	**5%**

Age of youngest child	
Under 6 months	**27%**
6-12 months	**26%**
1-2 years	**25%**
3-4 years	**12%**
over 6 years	**7%**
5-6 years	**4%**

About Madison Direct Marketing

Madison Direct Marketing, Ltd., a leader in life stage marketing strategy and execution for nearly 20 years, helps America's top marketers understand and reach consumers at key life stage moments when most brand, product and category decisions are made.

Utilizing proprietary databases and methods, Madison's unique direct mail, database, and online solutions enable marketers to reach and maintain targeted relationships with expectant parents, new parents, young families, Hispanic families, teens, and new homeowners. Madison also offers clients state-of-the-art printing, lettershop and list management services. Madison Direct Marketing is headquartered in Greenwich, Connecticut.

About Richard Greenberg

Vice President, Marketing

Richard focuses on helping Madison clients understand industry trends and how life stage marketing can be applied to their business most effectively. Prior to joining Madison, Richard held brand management positions at Procter & Gamble and Unilever, consultative and management positions at Cordiant Communications Group's Bates USA and CCG.XM divisions, and was an analyst at First Manhattan Consulting Group - the financial services advisory firm.

His areas of expertise include packaged goods marketing, product & brand innovation, financial services marketing, change management, and e-commerce.

Richard holds a B.A. in Intellectual History from the University of Pennsylvania.

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