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# The Point-and-Shoot Camera Faces Its Existential Moment

*As More Users Opt for Smartphones, Companies Wonder What's Next*

By DAISUKE WAKABAYASHI



Reeling from a 42% drop in shipments in the first five months of 2013, camera makers are scrambling to adapt their devices for social media. The WSJ's Juro Osawa speaks with Daisuke Wakabayashi about the future of the most-threatened market segment: compact cameras.

The compact digital camera is fading fast.

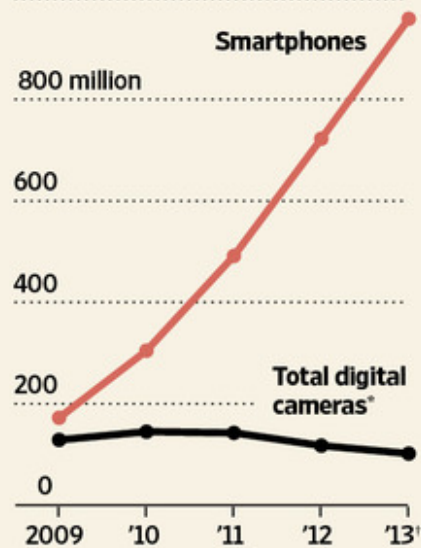
As global shipments plummet—down 42% in the first five months of 2013, according to the Camera and Imaging Products Association, a Tokyo-based industry group—manufacturers are scrambling to adapt to a world where customers value the convenience of smartphones for quick shots they can share on social networks like [Facebook](#) and Instagram.

The changes are forcing some of the biggest camera makers, including [Fujifilm Holdings](#) Corp. and [Panasonic](#) Corp., to pare product lines and adapt offerings. Some are choosing to focus on more high-end cameras as interest in the classic compact, or "point-and-shoot," fades.

[Canon](#) Inc. last week lowered its full-year profit outlook by 10%, citing slumping camera sales. In a sign of the dramatic downturn in the market, Canon also cut its compact digital camera outlook for the second time in three months.

## Shift in Focus

The global smartphone market has skyrocketed while digital cameras have foundered.



\*Includes compact, mirrorless and single-lens reflex cameras †Forecast

Source: IDC  
The Wall Street Journal

"Everyone in this industry recognizes the market is changing," said Hiroshi Tanaka, corporate vice president at Fujifilm, the No. 5 camera maker. "The question is what we can do about it."

Fujifilm plans to halve its product line—down from 20 models last year, limiting the number of less expensive devices while introducing more premium cameras. Panasonic said it plans to reduce the number of "entry-level" models with a goal of slashing fixed costs at the camera business by 60% over the next three years.

After losing ¥23 billion, or about \$235 million, from its imaging business in the past fiscal year, [Olympus Corp.](#), the No. 7 camera company, said it would eliminate its least expensive line and reduce the number of models it offers. The company forecast global shipments of 2.7 million units—half as many as it shipped last fiscal year—in the year to March.

The global digital camera market may shrink to as little as 102 million units this year, compared with a peak of about 144 million in 2010, according to research firm IDC.

This comes as the number of photos being snapped is soaring exponentially: Fujifilm estimates that 1.6 trillion photos are taken annually with smartphones, digital cameras and other devices, compared with about 100 billion photos a year during the heyday of film cameras around the year 2000.

"It's the classic case of an industry that is unable to adapt to shifts in user demands," said Christopher Chute, a digital imaging analyst at IDC.

While adding Internet connectivity through Wi-Fi has been commonplace in many consumer electronics, digital cameras remain largely stand-alone devices. Only one in six digital cameras shipped this year will be equipped with Wi-Fi, according to IDC.

The biggest declines have been in the point-and-shoot segment, which is estimated to fall to 80 million units this year, down from 132 million units three years ago, IDC said.

To compensate, camera manufacturers are pushing pricey models such as ones with more than 10-times optical zoom or those with larger sensors that can produce pictures in low light and greater detail.

Last month, [Sony Corp.](#) said it would target high-end

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Associated Press

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## Industry Snapshot

Global camera market share, 2012

Canon	23%
Nikon	21%
Sony	15%
Samsung	9%
Fujifilm	8%
Others	24%

Source: IDC  
The Wall Street Journal

consumers with the introduction of a revamped version of its premium compact camera. The RX1R and its predecessor, RX1, pack the biggest sensor available on the market in a compact body, but high-performance isn't cheap: Both models cost \$2,800 each.

Sony said the average selling price of its compact digital cameras rose by more than 20% in the first quarter of 2013.

Sony's position is complicated by the fact that it is the leading supplier of image sensors used in smartphones, building new production lines to meet overwhelming demand. But the improving quality of its sensors is helping smartphones eat into its own camera business; Sony expects its camera shipments to fall 20% in the year to March.

Camera manufacturers are also flooding the market with so-called "mirrorless" cameras. Like the expensive single lens reflex, or SLR, cameras favored by enthusiasts and professionals, mirrorless cameras come with large sensors and interchangeable lenses and produce high-quality images. But they don't have the conventional mirror-based viewfinder system, so the camera's body can be more compact than an SLR. It is a small but fast-growing segment, especially in Japan.

"The market is too heavily skewed to compact models. We have to change that," said Olympus President Hiroyuki Sasa in an interview. "It's going to be difficult, because everyone has the same idea."

But as manufacturers crowd the high-end of the market, prices could plunge and erode profit margins, analysts say. Price competition could spill over into the extremely profitable SLR market, which is dominated by the two-biggest camera makers, Canon and Nikon Corp.

Already struggling with its compact range, Canon said last week that consumers are also postponing purchases of more expensive interchangeable lens cameras while prioritizing price over new features, a worrying sign for profit margins. After forecasting sales of 17 million compact digital cameras in January, Canon lowered its 2013 sales target to 14.5 million units in April and then to 14 million units last week. It also trimmed its interchangeable lens camera targets from 9.2 million in 2013 to 9 million units.

While dismissing the idea that it would stop making entry-level point-and-shoot cameras, Canon said it plans to focus on "higher-value" models, especially ones with greater zoom. In doing so, the company hopes to reverse a lengthening replacement cycle. Japanese consumers who once waited three years to buy new cameras are now waiting nearly five years, said Mitsuo Matsudaira, an executive who sets the strategy for Canon's compact cameras.

Mr. Matsudaira said his goal is to cooperate—not compete—with the smartphone. The palm-sized PowerShot N, a square point-and-shoot camera that Canon introduced earlier this year, can send photos easily to a smartphone while allowing the user to take "creative shots" that alter the original picture with different filters.

"The job of the camera had been only to take beautiful pictures, but we started seeing people using smartphone cameras to share and interest started drifting that way," Mr. Matsudaira said "We have no intention of competing with the smartphone."

[Nidec](#) Corp., a leading supplier of components used in a wide-range of consumer electronics products, said the troubles in the compact digital camera market segment contributed to losses at a subsidiary that produces shutters and lenses. Shigenobu Nagamori, Nidec's chief executive, said the unit's executives held too optimistic of a view of the camera market's rebound.

"I told them to get rid of that kind of thinking," Mr. Nagamori said at a press conference last week in Tokyo. "I'm telling them to assume that the inexpensive cameras are dead, just like PCs."

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