

# Photo Companies Bet That Film Is Far From Dead

By DAVID J. WALLACE

Amid the fuss over cheap digital photography for the masses, a different picture is developing. Many companies see a big market in combining traditional film photography with the World Wide Web.

Their services range from the convenient to the kooky: free digital photo albums with film developing; delivery of images via e-mail; and photos printed on customized mugs, T-shirts and even cookies.

The rush to exploit the Internet as a "digital shoebox," allowing people to store and share their photos online, is just beginning. Companies large and small are staking claims to this hybrid of film-and-paper photography and digital technology. Household names like [Kodak](#), [Intel](#) and [America Online](#) are among those trying to merge pixels and paper and open a new market.

The \$3 billion consumer photography business has been largely stagnant for years, due in part to limited interest in reprints and enlargements. Industry watchers predict that interest will grow substantially thanks to the convenience of viewing and sharing pictures via the Web and e-mail.

A leader in this area is [Seattle FilmWorks](#), which in April started offering free online photo storage for customers who send their film in for developing. Each photo is automatically scanned and stored on a password-protected site in a photo-album format. For a fee, customers can have existing photos scanned or upload their own scanned photos to the site.

Gary C. Christophersen, president and chief executive of Seattle FilmWorks, said the company already has more than 20 million images stored on its servers and is adding a hefty 1 million more each day. He said about one-quarter of the company's customers now order prints on floppy disks or CD-ROMs along with their standard prints, and about half request them occasionally. The company tells customers their images will be posted on the Web less than 24 hours after it receives their undeveloped film.

Seattle FilmWorks plans to increase its photo storage capacity to 10 terabytes (enough room to store five billion typed pages), and says it will store the images "as long as you remain an active customer," although Christophersen said he does not yet know how this rule will be enforced.

The server space is free to customers, but it is hardly a gift. Christophersen and his competitors see great potential for sales of mugs, T-shirts and other products emblazoned with the photos stored on their Web sites.

Customers can also order copies, either digital ones on CD-ROMs and floppy disks, or as standard reprints. A photo reprint costs 50 cents, about the same as in a store, but there is no walk across town to drop off a set of negatives, he said. And, of course, customers can send digital photos or just the links in e-mail to friends and relatives.

"The numbers aren't huge, but as it's catching on, people are excited about the prospects of sharing photos via email," Christophersen said.

The personal "shoebox," Christophersen said, is a perk for customers "but not something they'd pay for as part of a second transaction. We think it adds value and we subsidize the transaction through our margin on the photo finishing roll."

Christophersen conceded that posting photos raises issues of security and privacy - plus the problem of what to do with images orphaned by people who have forgotten them or changed e-mail addresses. But as with other online industries, consumers will make their preferences known and vote with their browsers, if not their wallets.

Some major names are also involved in the film-to-digital field. In 1998, Kodak bought a 51-percent stake in [PictureVision](#), a Herndon, Va., company that operates a service called PhotoNet. The service works with independent film processors to offer scanning and online display of photos. Web storage is free for 30 days, and customers can pay a fee to keep the photos up longer.

Kodak and Intel are cooperating on PictureCD, a disk-based photo delivery and storage product, and PhotoDisk, which lets customers store photos on their media of choice. As with the FilmWorks service, Kodak will digitize photos that customers submit for processing.

Kodak is also teaming with America Online to test-market "You've Got Pictures," an e-mail delivery and reprint service that debuted this week in Orlando, Cleveland and Tampa. Consumers can take their prints to any one of 38,000 Kodak photofinishers and have prints delivered to their computers for an additional \$5 to \$7 per roll.

"Two percent of the images developed in the film industry get reused or repurposed, and that has been consistent for the last 100 years," said Michael Foss, Kodak's general manager for consumer digitization operations. "Clearly our initial rates are higher than that, and as we broaden the awareness of Internet imaging, the numbers will increase."

Foss said digital cropping and other tools consumers can use themselves, either online or in stores, will increase the number of usable pictures per roll, while sharing of images online will increase orders for reprints. He would not discuss Kodak's growth estimates.

Even though only a small percentage of photos are reprinted, the market for reprints is still worth \$3 billion each year, and companies are eager for a piece of

that business, said Chuck Davenport, senior analyst at [Lyra Research](#) in Boston, which tracks the photography and imaging industries. He said the market will remain a niche for most large companies, but the service and convenience of the Web has already attracted startups like [Club Photo Inc.](#) of San Jose, Calif.

"They don't process film, scan film or offer reprints," Davenport said. "They provide a free online photo album and then collect thousands of customers. But if you're a service provider for reprints, photos on mugs or other products and services, you can advertise to those customers."

Digital storage could also shift the cost of reprinting and mailing from the owners of the photos to those who want copies. Parents, grandparents, friends and others will pay for the photos they select online instead of receiving prints chosen for them by the photographer, Davenport said.

"I think the potential is there for a pretty hefty increase in the reprint business, but it's hard to say how large," he said. "By the end of this year, 106 million digital photos will be uploaded to digital photo finishers. That's a lot of images. And the potential is there for more pictures that wouldn't have been made."

By the end of 1999, Davenport forecasts that digital cameras may be capturing as many as 9 billion images a year -- still only 10 percent of the number of images recorded on film. But in the face of growing digital photo popularity, the market for scanned film-based photos will remain strong, said Kodak's Foss. People have an endless supply of old photos, and services like Kodak's can offer a higher quality image than is available from home or office scanners.

"Scans off film are more precise," he said. "And the costs and relative complexity of digital photography have been the impediments to growth. This whole industry is in its infancy, and we're trying to influence behaviors people have had for 100 years."