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Market Analysis

PC Cameras: A New Market Develops

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It comes as no surprise that the **outlook for the worldwide digital camera market is sunny**, as consumers furiously e-mail images to friends and family. Riding the wider digital camera wave is a smaller segment -- the PC camera space -- which also continues to grow at a rapid rate, albeit starting from much smaller numbers.

"**PC cameras are a small but growing market**," says Christopher Chute, senior analyst, digital imaging solutions for International Data Corp. in Framingham, Mass. Chute authored IDC's recently-published "Worldwide PC Camera 2004-2008 Forecast." Worldwide, 48 million digital cameras were shipped last year (representing year-over-growth of a rather spectacular 71.4%), as opposed to 13.9 million PC cameras. The prospects for PC cameras, like their digital camera brethren, are good: global year-over-year growth from 2002 to 2003 was 40%.

Worldwide PC Camera Market: A Pretty Picture

Worldwide PC camera shipments, actual and forecast

Region	2003 units/% of market	2008* units/% of market	CAGR 2003-2008
North America	4.98 million/35.9%	5.56 million/26.7%	2.2%
Western Europe	4.43 million/31.9%	6.98 million/33.5%	9.5%
Asia/Pacific	3.66 million/26.4%	6.47 million/31.0%	12.1%
Japan	511,000/3.7%	1.24 million/6.0%	19.5%
Rest of World	290,000/2.1%	575,000/2.8%	14.7%
Total	13.9 million/100%	20.8 million/100%	8.5%

* Includes dual cameras

Source: IDC, 2004

Video a Rising Star

In their own modest way, PC cameras will play a role in the digital entertainment and communications boom. Priced from \$29 USD to \$149 USD (with many models below \$99 USD), PC cameras are tethered to the PC (or built into the display) and primarily offer still and streaming video-image capture for the purpose of Internet posting, videoconferencing, video instant messaging (VIM) and video e-mail. "The idea is to enable next-generation communications through the PC, mobile devices, and phones," says Chute. "**It's about adding video or pictures to simple messaging applications.**"

Dual cameras are a subset of the PC camera market. These models are stored clipped or mounted on the PC display. Unlike other PC cameras, they may be detached and carried like regular digital cameras. Most of these models are priced below \$199 USD, according to IDC. This segment will **largely fall by the wayside** in the next few years as top-brand digital still cameras serve up similar video features along with better prices and resolution.

Historically the largest market for PC cameras, the United States began to fall off in 2003. With more than one-third of the market last year, U.S. share will drop to 27% by 2008, according to IDC. **Asia/Pacific experienced strong PC camera sales growth in 2003**, as reasonable prices coupled with the rise in broadband and video-integrated messaging throughout the region. "Broadband

How PC Cameras Measure Up

Worldwide digital camera shipments vs. worldwide PC camera shipments

Camera Type	2003 Unit Shipments	2002-2003 % Growth
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providers are pushing PC cameras to consumers in Asia," says Chute. Higher rates of broadband adoption will mean greater ease at using PC cameras.

Digital Cameras	48 million	71.4%
PC Cameras (including dual cameras)	13.8 million	40%

Source: IDC, 2004

Many Chinese consumers cannot afford their own PC or monthly Internet fees, so they tend to get online in Internet cafés. **Adding video or still images to Internet** posts or e-mail messages is appealing to this group. Adding video to voice calls over the Internet is another hot area that will take off first in Asia/Pacific and Japan, adds Chute. Both Asia/Pacific and Europe will be larger players than the U.S. in this market by 2008.

Still an Immature Market

Whether using a conventional digital camera or a PC camera, **consumers' number-one activity is sharing the images through e-mail and printing**. The next most important application is storing and archiving photos and video on the PC.

All of the e-mailing and archiving of digital photos leads to tremendous need for storage, which might take the form of a hard disk upgrade, flash memory card, DVD burner or external disk drive. "If you look at the total amount of videos and images captured, it's ridiculously huge. No matter where the images end up, **the storage opportunity is enormous**," says Chute. And as more consumers begin to edit their own digital video, that, too, will drive the need for bigger hard drives and faster processors. "You need an extra hard drive just to download the video to," says Chute, adding this application is still the domain of the enthusiast, rather than the mainstream consumer.

OEMs have **an opportunity to take a service-based approach** to digital cameras, says Chute. "They could develop service models around digital photography, something they have not yet done." The service offerings on the market now are confined to printing digital photos through an online service such as Kodak's Ofoto or Snapfish. But Chute says many consumers have not found this model compelling. Only about 65% of consumers print their digital images on paper, as opposed to 100% of traditional camera images. Of those that do print their digital images on paper, the vast majority (80%) are printed at home on an ink jet printer, not through a photo service.


Forces Driving Growth of PC Cameras

- ▶ Growth in instant messaging
- ▶ Wider availability of broadband Internet service
- ▶ Increasing popularity of video e-mail
- ▶ Stable prices over a long period
- ▶ Intriguing products and features that continue to spark interest


Source: IDC, 2004

"Only 5% of digital pictures are printed at online services," says Chute. "The problem is bandwidth. The typical consumer still uses a 56K dial-up Internet connection. It simply takes too long to upload images to a service." Chute maintains a large OEM with expertise in numerous areas should **seize the opportunity to create a holistic service** that a consumer could use to capture an image once on any type of digital camera -- store it once -- and view or print it anywhere. Chute does not profess to know exactly what form that new service model might take, only that there is untapped potential, evidenced by consumers' nearly wholesale abstaining from using online photo services.

While acknowledging an increasing trend for OEMs to embed cameras in their high-end notebooks, it is unclear whether the market will embrace that development. "The market is **currently in a state of infancy**," says Chute. To what degree -- and in what form -- entertainment applications will continue their march onto the PC is a question mark.

This much is clear: PC camera growth will correlate largely to **an uptick in video instant messaging usage**, especially in the Asia/Pacific region. As video instant messaging evolves and improves, with faster frame rates and the ability to include voice communication, PC cameras will benefit. 

About International Data Corp.

IDC is the premier global market intelligence and advisory firm in the information technology and telecommunications industries. It analyzes and predicts technology trends so that companies can make strategic, fact-based decisions on IT purchases and business strategy. For more information, go to www.idc.com .

About the Author

Lauren Gibbons Paul has more than 15 years of experience as a writer and editor for leading business and technology publications, including *eWEEK*, *CIO*, *Managing Automation* and *Network World*. She has also done research assignments for a number of well-known analyst firms.

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