



INFOIMAGING@Kodak

PHOTOGRAPHY GROUP POSITION PAPER
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Sometimes technology hints at change. And sometimes it insists on it.

Right now, our business and our industry are undergoing dramatic and seismic shifts as a result of technology. Specifically, the convergence of image science and information technology has created a new industry in which we compete: an industry called infoimaging.

This extraordinary technological development has opened a world of possibility and opportunity for Kodak and its customers. And, at the same time, the convergence of image science and information technology has altered the value chain that connects imaging companies like ours with customers.

But what will truly separate companies that succeed in this new industry from those that fail will be their willingness to view their business through an infoimaging lens vs. seeing their business as they always have.

For Kodak and its Photography Group, infoimaging represents an enormous opportunity to strengthen our value chain with customers—a chance to reinforce old bonds, initiate new ones and forge future linkages.

We must see the possibilities—and seize the opportunity.

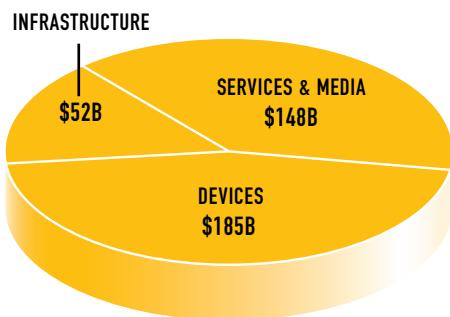
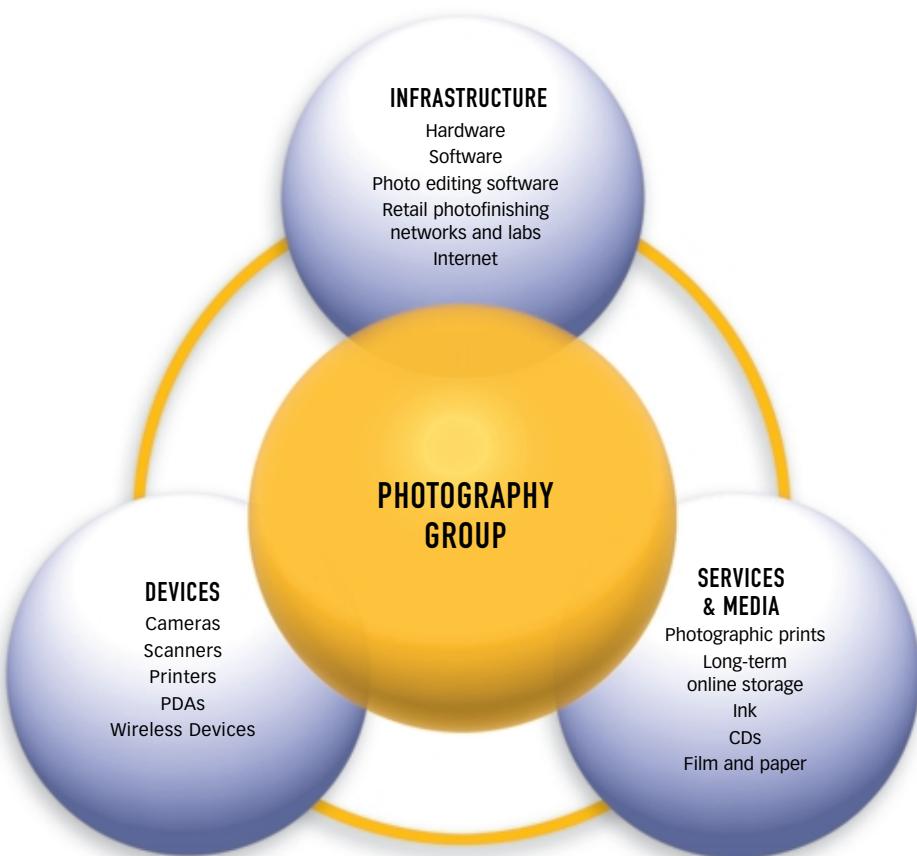
BEFORE INFOIMAGING...

Before infoimaging, the value chain connecting the Kodak Photography Group to our customers was fairly simple and linear. The average Kodak customer pointed a camera, took a picture, developed the film, and picked up the resulting prints. Although Kodak has continually been the leader in new imaging advancements—new types of cameras, better film and processing, sharper color—the value chain essentially remained the same: camera, film, photo-finishing, prints. As a result, Kodak derived its value from this linear chain at really just two points: film and output.

But that has changed because infoimaging has expanded the opportunities for us to connect with customers. Indeed, the digital camera prototype that Kodak unveiled in 1976—hooked up to a roomful of computers to process the image—was a harbinger of the flood of innovations and new products created by the convergence of image science and information technology.



Kodak, especially the Photography Group, has the distinction of being one of the few players in all three segments of the rapidly growing Infoimaging industry.



The \$385 billion infoimaging pie slices into three big pieces. This trio of inter-related sectors—devices, infrastructure and services/media—connects to form the infoimaging market.

The infoimaging value chain of today includes not only cameras, film, photo-finishing and prints but also e-mail, kiosks, Web pages, e-commerce, scanners, CDs, wireless camera phones and many more yet-to-be-discovered innovations. Therefore, the infoimaging value chain is not linear but rather web-like, with Kodak deriving its value from hundreds of points within the web. For consumers, who today only repurpose 2 percent of their pictures, infoimaging opens the doors for them to use their images in innumerable and new ways.

Infoimaging is made up of three rapidly expanding markets: devices, infrastructure, and services and media. These three markets make up what we call the

\$385 billion infoimaging industry, and Kodak, especially the Photography Group, has the distinction of being one of the few players in all three segments.

- Devices are products that capture, view, digitize and output. That's cameras, scanners, printers, PDAs and wireless devices, to name just a few.
- Infrastructure enables images to be processed, stored, edited, transformed and transported. That's hardware and software, including photo editing software and retail photofinishing networks and labs, as well as the Internet.
- Services and media allow images to be shared and preserved. That's photographic prints, long-term online storage, ink, CDs and, of course, film and paper.

The Photography group boasts some of the most exciting developments in the infoimaging realm.

INFOIMAGING IN ACTION

The Photography Group and its business units—Consumer Imaging, Digital & Applied Imaging and Kodak Professional—boast some of the most exciting developments in the infoimaging realm.

One of the simplest and purest examples of infoimaging in action is the EasyShare System from Kodak Digital & Applied Imaging. It combines all three infoimaging components in one easy-to-use system. It contains devices (a camera and dock) that connect to infrastructure (personal computer, EasyShare software, the Internet) to produce services and media (online photo storage, printing from home, printing at retail). The goal is to help the consumer move from one link in the chain—a capture device—to other links—infrastructure and services/media—as seamlessly and easily as possible.

And Kodak is not stopping there. While Digital & Applied Imaging continues to focus on improving ease of use, we also are spearheading efforts to remove the road-blocks that make it difficult for consumers to print their digital images. In fact, Kodak, Fuji and Hewlett-Packard have joined the International Imaging Industry Association to create a set of technical standards to make printing digital images as easy as getting prints from film. Known as CPXe (Common Picture eXchange Environment), the initiative will make it possible for consumers to order prints of their digital images from any photofinisher and pick up the prints at a location convenient to them. The convergence of image science and information technology makes this possible.

Another robust infoimaging solution is Consumer Imaging's I.Lab and DLS minilab photofinishing systems for wholesalers and retailers. These robust photofinishing systems combine devices (scanners), infrastructure (image-editing software and IT networks) and services and media (photographic prints, Picture CDs and other output). This combination of imaging technologies with IT infrastructure is opening the doors to new services for

consumers, including Kodak Preview & Select, which enables consumers to view their pictures on a display screen before ordering specific output products at the retail counter in those shops using DLS labs. For consumers who prefer to use overnight processing, Kodak Perfect Touch automatically applies Kodak image science to every print, correcting many mistakes.

Meanwhile, Kodak Professional is on its way to delivering an infoimaging solution to make it easier than ever for professional photographers, studios and labs to electronically link to one another. Kodak Professional's digital workflow solution streamlines the process of image editing, reviewing, order-taking, management and processing. Information technology—the Internet and local telecommunications networks, Kodak ProShots software, AccuNet and Digital Print Production (DP2) systems—serve as the backbone for these business functions, with Kodak's expertise in image science tying it all together.

INFOIMAGING'S IMPACT

These examples are but a few of the many infoimaging success stories from the Kodak Photography Group, and we will be sharing more with you. Each of these examples illustrates how Kodak can strengthen its bonds with customers and create new opportunities for growth for itself and for customers. The proof is in the results. Consider these statistics:

- The success of the Kodak EasyShare System has nearly doubled Kodak's digital camera market share since its launch in April 2001. And the CPXe initiative will ensure that it's easy for consumers to connect their EasyShare cameras to infrastructure so they can order prints and other photographic products.
- The Preview & Select feature on our in-store photofinishing minilabs—enabling consumers to see their images before making output decisions—is driving revenues for photofinishers. In fact, the average revenue per order is 10 percent to 20 percent higher on



orders using Kodak Preview & Select than on standard film developing and print orders, according to one Canadian photofinishing provider with 90 stores.

➤ Kodak Professional's lab digitization efforts are increasing revenues for professional photographers and studios. In fact, some photographers and studios using Kodak ProShots software have seen an increase in the size of customer orders by 20 percent or more if images from a special event such as a wedding are posted to a Web site for viewing and ordering by friends and family.

THE PATH TO GROWTH

Without a doubt, our company, our industry and our jobs are changing. Infoimaging is forcing us to look at how we serve customers in new ways. Technology is opening the doors to new products and services that we never before thought possible. This, in turn, is creating new opportunities for us to work with new and different companies—IBM for our I.Lab System, for example—and

to partner with companies that are our biggest competitors—Hewlett-Packard in our Phogenix Imaging joint venture. In other words, what was once thought to be impossible and impractical is now very probable and necessary.

So how we do communicate these exciting opportunities to each other within Kodak and to our customers? It's very simple, really, and it goes like this:

OUR INDUSTRY

Infoimaging is the industry in which we compete. It is a \$385 billion industry created by the convergence of image science and information technology.

OUR STRATEGY FOR GROWTH

In order to grow in this new industry, we have identified four growth strategies that we call "The Critical Few." They are:

1. Expand the benefits of film
2. Drive output across all of our businesses
3. Make digital easier to use for both commercial customers and consumers
4. Develop new businesses in new markets

OUR CUSTOMER VALUE PROPOSITION

We communicate the benefits of our products and services to our customers through our "Share Moments. Share Life." advertising campaign.

In other words, infoimaging is expanding the links in our value chain. "The Critical Few" is a strategy map for seizing the opportunities of infoimaging. And "Share Moments. Share Life." is how we communicate value to our customers.

We must see the possibilities and then seize the opportunity.

For more information about infoimaging, go to:
www.kodak.com/go/infoimaging

