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The Global Stock Image Market **Global Survey 2012**

PART I **PLAYERS, PRODUCTS, BUSINESS**





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Robert Panitz

The Survey

This is the first ever global survey of the stock image suppliers market.

We define the stock image market as the business of licensing pre-produced visual content for specific uses. The value chain of this industry includes image creators (photographers, cinematographers, graphic designers), image users (e.g., news media, advertising, publishers) and intermediate suppliers who provide the commercial trade of usage rights in return for royalty payments. This report focuses on the latter group of players: image suppliers.

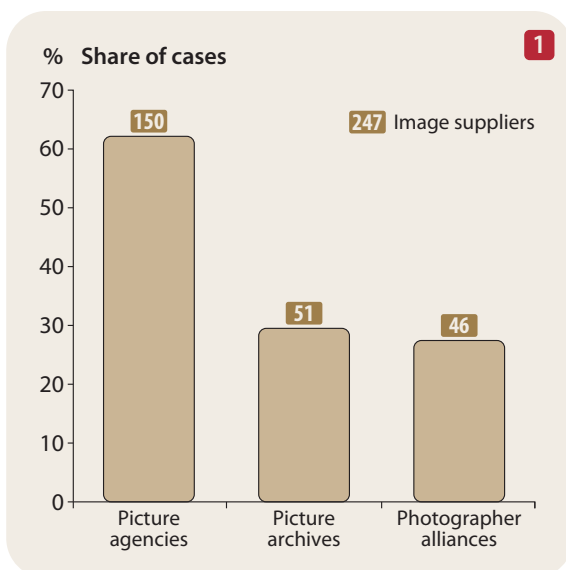
In summer 2012, for-profit image suppliers all across the world were invited to complete an online questionnaire in order to identify market volume, business segments, practices and trends. Utilizing multiple sources of investigation and pre-existing databases, we identified 2,342 suppliers of which 250 participated in the survey (10 per cent response). The respondent firms named another 97 partner agencies with which they distribute their content to the global market. To the best of our knowledge we currently identify a total of 2,439 for-profit image suppliers in the world. This report is the first part in a series of reports that illustrate the survey's major findings.

The Players

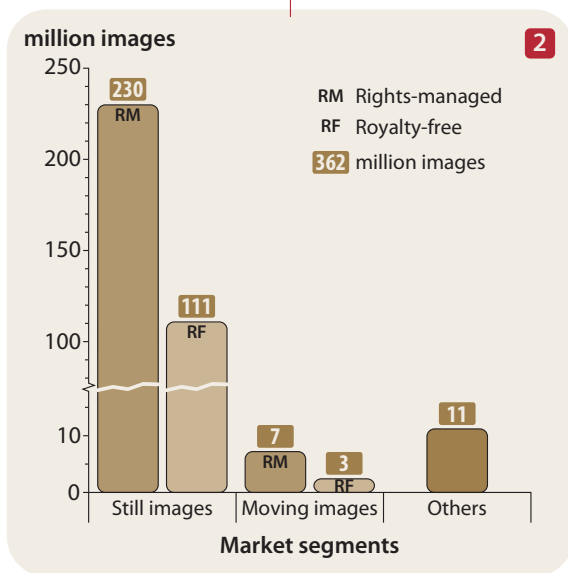
The stock image market is composed of three dominant types of suppliers: agencies that trade images on behalf of other creators, archives which preserve collections of primary image sources, and photographer alliances or cooperatives that only trade their own images. 60 per cent of the suppliers in the sample were agencies, while the remaining 40 per cent were split nearly equally between picture archives and photographer cooperatives ¹.

Nearly half of all suppliers were founded as 'digital immigrants' before 1995 – the year in which Getty Images pioneered electronic commerce and online image banks. The other half of suppliers are digital natives already established in the era of electronic picture trade. Among the digital native suppliers, 20 per cent were founded in 2005 or after.

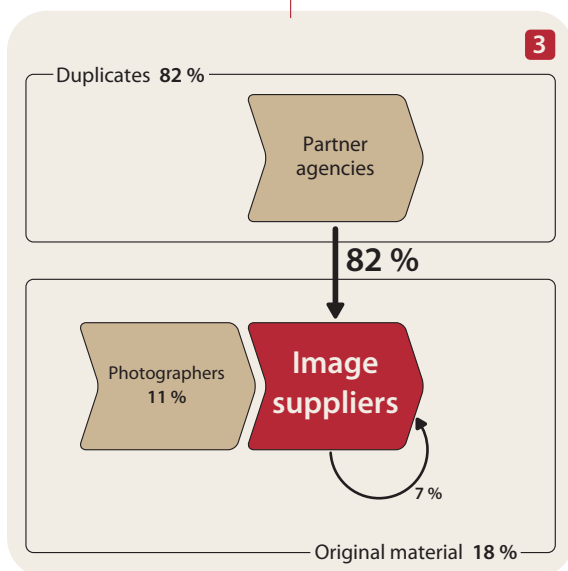
In 2011, 196 image suppliers provided a total of nearly 2,000 jobs. We adopt the official European classification of firm sizes according to article 7 of the Commission Recommendation (European Commission 2003)^a. According to this classification, 147 suppliers (77%) are micro businesses with less than 10 employees



362 MILLION IMAGES IN TOTAL
94% ARE STILL IMAGES



ONLY 18% OF TOTAL IMAGE
GROWTH IS ORIGINAL CONTENT



and a maximum turnover of \$2.4 million, 38 suppliers (18%) are small companies with less than 50 and more than 9 employees as well as a maximum of \$14 million turnover. Finally, only 10 suppliers (5%) are medium-sized firms that either employ 50 or more people or attain revenues between \$14 and \$60 million.

In terms of their geographical distribution, two thirds of all suppliers were located either in the US (18%), the UK (19%) or Germany (31%). The top six countries represent more than 80 per cent of the responses, including Switzerland (6%), France (4%) and China (2%).

The Product: Still and Moving Images

Images and License Models

237 image suppliers reported an aggregate stock of 362 million images ². With a large part of visual content being marketed non-exclusively and image suppliers increasingly sharing their content through sales partnerships, this statistic largely overestimates the real number of images in the market place.

On average, each supplier owns around 1.5 million images. Half of all suppliers have 120,000 or fewer images in stock. This reflects the strong concentration within the market. Only eleven agencies (5%) account for 189 million images, representing more than half of the entire aggregate visual content identified in the survey.

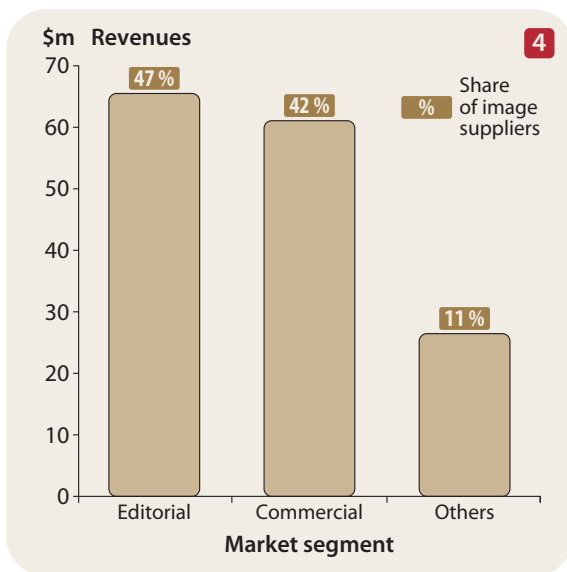
We distinguish three large segments in the market: still images (photos) account for 94 per cent of total image stock, while moving images (video footage) and other images represent 3 per cent. Several footage suppliers reported their image stock in hours of recorded content rather than in number of units. Thus, we underestimate the true size of stock video content. With still photos, traditional rights-managed images (64%) clearly prevail over royalty-free and microstock (30%).

Since many of the large microstock agencies did not participate in the survey, the true share of royalty-free images is expected to be significantly larger in the global market than reported in this survey. It has to be emphasized that these figures include multiple counts of images. When suppliers share parts of their picture stock by means of sales alliances, these images enter in both stocks, the stock of the original supplier and the partner. These double counts cannot be extracted systematically. The real size of the image stock is therefore expected to be considerably smaller than the number reported here.

Image Growth

Between January and December 2011, individual image stocks grew predominantly through the sourcing of existing collections from partner suppliers. The duplication of collections accounts for 82 per cent of the total increase of 49.8 million images **3**.

Only 18 per cent of image growth can be attributed to original material which was either supplied by external photographers (11%) or produced within the agencies (7%). The true annual growth of original material has thus been some 9 million new images. Note, however, that original material by photographers may also be non-exclusive so that these new images may be affected by multiple counts, too.



The Business

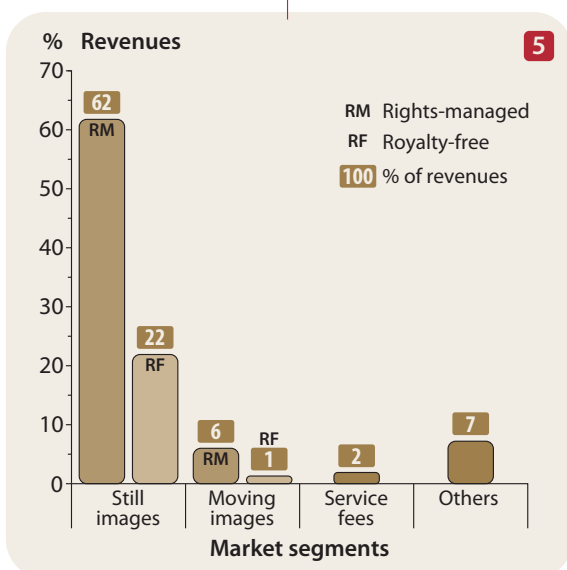
Sales

A total of 139 image suppliers provided information on gross sales in 2011. These agencies amounted total revenues of \$158 m. While these suppliers had a mean turnover of \$1.1 m, half of them had annual sales of less than \$200,000 (median). 104 of these image suppliers provided more detailed financial information on the structure of costs and sales. The following findings about the market segment sizes refer only to these 104 image suppliers.

Editorial images cover 47 per cent (\$64 m) of total sales, whereas commercial images represent 43 per cent (\$59 m). Other uses correspond with 11% (\$15 m) of total sales in the survey sample **4**.

In terms of license models, rights-managed photography (RM) takes the lion share (62%), while royalty-free photography (including microstock) (RF) contributes 22 per cent to total sales. Although microstock agencies are underrepresented in the survey, these figures reflect the continuous growth of royalty-free images: in Europe, the share of revenues with RF photography grew from a low 3 per cent in 1999 (CEPIC 2001), 17 per cent in 2007 (Glückler 2008) up to 22 per cent in 2011. RM video (6%) and RF video (1%) still cover only a minor part of total image sales. 2 per cent of sales are generated through service fees and 7 per cent through other license models **5**.

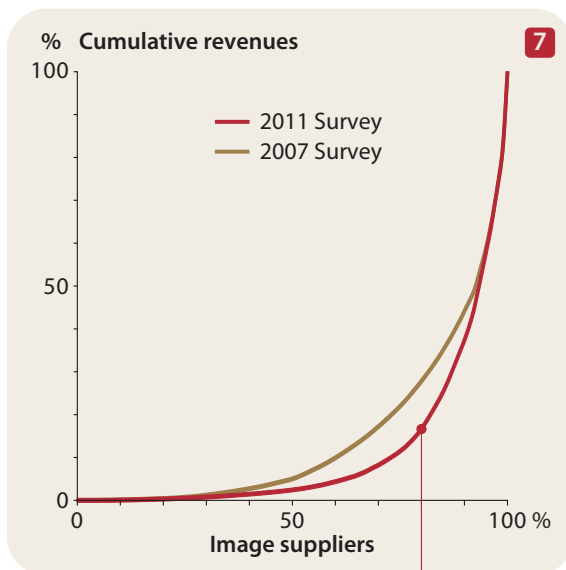
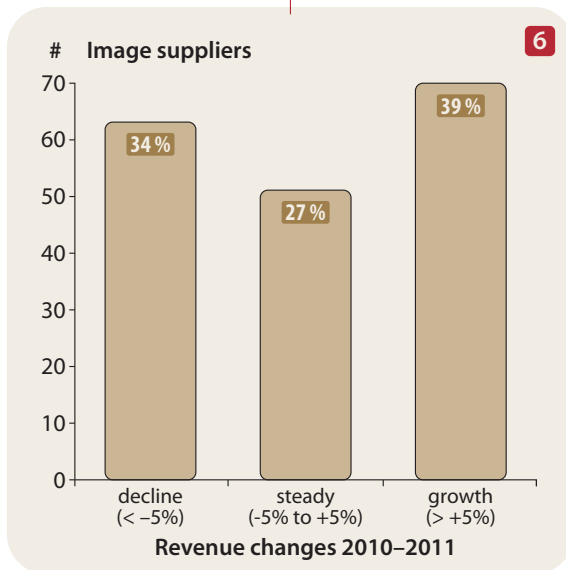
22% OF OVERALL REVENUES REFLECT THE STRONG GROWTH OF RF-STILLS



Revenue Growth – Only by Exception

Overall, the survey suggests that the stock image market is hardly growing at all, except for some successful firms with new or powerful business models. We use

REVENUES STAGNATED OR DECLINED
FOR 61% OF IMAGE SUPPLIERS



20% OF THE SUPPLIERS GENERATE
80% OF THE REVENUES

two sources of information to measure change in revenues over the last years. First, we asked image suppliers to report percentage changes in revenues of 2011 as compared to 2010. The global financial crisis of the last years as well as the continuous rise of low-priced royalty-free images has clearly been affecting the stock image market. Though 39 per cent of image suppliers reported revenue growth higher than 5 per cent compared to 2010, another 27 per cent experienced a stagnation of sales at the same level as 2010. Finally, 34 per cent of all image suppliers bemoaned a negative result with declines in sales of -5 per cent or more **6**.

In a second approach, we compare the results for the European market with survey results obtained in 2007 (Glückler 2008). A comparison of these surveys suggests that the European market has hardly grown since then, yet revenues have become far more concentrated with few agencies representing an ever larger share of the market.

In 2011, some 101 European agencies reported an overall turnover of €78.5 million. Mean revenues of €778,000 in 2011 are similar to the equivalent of €821,000 in 2007. Despite the equality of mean revenues per firm, the distribution of sales across firms indicates a strong trend toward concentration: While in 2007 half of all suppliers reported revenues of €260,000 or higher, the same share of suppliers reported only €100,000 in 2011. **7** visualizes the concentration of revenues between 2007 and 2011 in Europe. While a straight curve would indicate an even distribution of sales, the strong vaulted curve reflects an increasing unevenness in the distribution of revenues. The graph shows, that while in 2007 the largest 20 per cent of firms represented 72 per cent of revenues, their market share grew to 83 per cent in 2011.

Overall stagnation and a clear trend toward market concentration are signs of stress on the image market. The current global economic crisis is one important factor for this consolidation because reductions in consumer demand reverberate on cuts in advertising budgets and publishing activities.

Gross Global Revenues: A New Estimate

Need for a Global Market Estimate

Over the last twenty years, practitioners, journalists and business experts have published diverse estimations of the global market volume, either according to undisclosed expertise or in projection of selected financial data of only a few market-leading agencies (e.g.,

Getty Images, Corbis, etc.). Common estimates range between \$1.8 billion (still images, only) in 2009 (Pickerrell 2010, 2007), \$2 billion in 2005 (e.g., Financial Times Deutschland 2005), and \$2.2 billion in 2012 as predicted by Corbis CEO Gary Shenk (Pickerrell 2009).

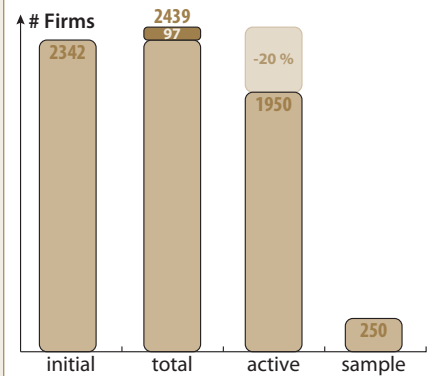
One potential problem with these estimations is that they lack an empirical foundation in a broad coverage of image suppliers in the global market. To the best of our knowledge, such an estimate is still missing. Here, we use the first ever global survey to develop an empirically grounded estimate of the global market size (see box for documentation of the GSIM estimation model).

\$2.88 Billion Gross Global Revenues

The global market estimate is the sum of two components. The first component is a projection of the revenues reported in the survey to the global population of image suppliers. This projection has been calculated as conservatively as possible in order to avoid over-

Revenue Estimation Model

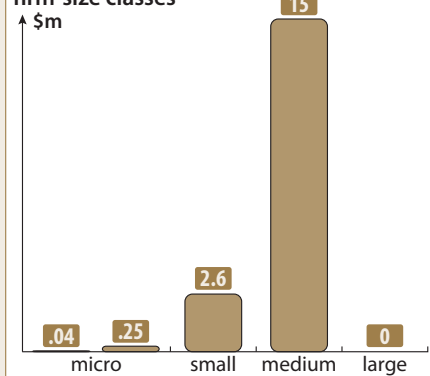
Global population of image suppliers **8**



The GSIM estimation model includes three steps: first, we assess the total population of image suppliers worldwide: 2,439 firms. Since the industry is characterized by a considerable degree of volatility through mergers, acquisitions and firm closures, we assume a rate of inactivity of 20 per cent. We thus correct our data to a population of 1,950 firms to be assumed as operative in 2011 **8**.

Secondly, we create a distribution of firms by firm-size and calculate median revenues for each size-category. This distribution is highly skewed, however: the large majority of suppliers (77%) are micro firms and only a few firms

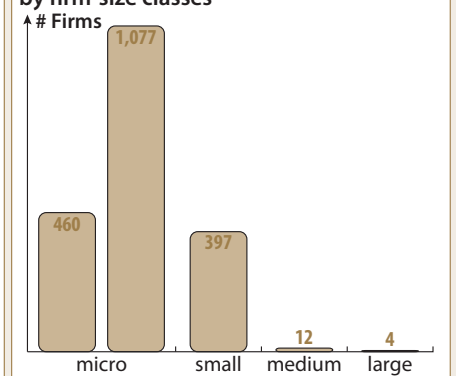
Median revenues in survey sample by firm-size classes **9**



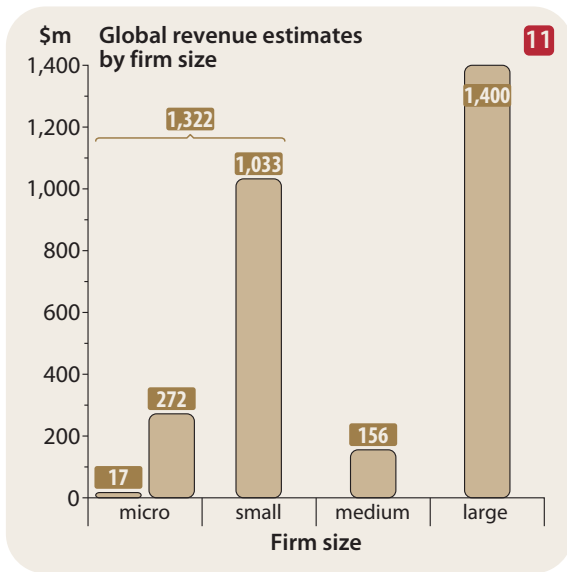
– Getty Images, Corbis, istockphoto, Shutterstock, Fotolia (0.2%) – are large firms. Because of the skewedness it would be inappropriate to simply calculate statistical mean revenue for the entire sample and project it to the total population (e.g. CEPIC 2001). Instead, we divide the sample in firm-size categories as defined by the European Commission (European Commission 2003) and calculate median revenues for three classes of micro and small-sized firms **9**.

Third, we calculate a proportional firm-size distribution for the total of 1,950 global image suppliers and project median revenues per firm in each

Global distribution of image suppliers by firm-size classes **10**

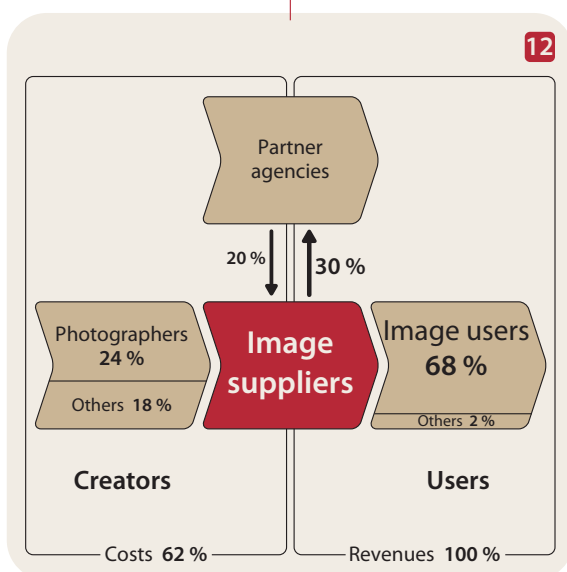


category of the survey sample to the expected number of firms in each category of the global market **10**. This approach yields a market estimate for micro and small image suppliers. For the categories of medium and large firms, we counted only the revenues of those image suppliers that are known (or estimated) through media publications (e.g., Getty Images) or through our survey. Finally, we aggregate the revenues of the distinct firm-size categories to attain a modest and conservative estimate of global revenues in the stock image market 2011 **11**.



1,950 PLAYERS REALIZE \$2.88 BILLION

THE COMBINED GROSS VALUE ADDED WAS 38% OF THE REVENUES



estimates. Based on the measure of median rather than mean revenues, the model predicts individual revenues for different segments of firm-sizes. According to the estimate in **11**, 460 micro (single-member) companies generate \$17 million; another 1,077 micro firms achieve \$272 million, and 397 small firms gain \$1.03 billion. The combined revenues of these micro and small businesses add up to \$1.32 billion in 2011 **11**.

The second component includes financial reports on the large players as well as moderate estimates for ten medium-sized firms in our sample. Based on media reports and expert estimates, the four largest suppliers Getty, Corbis, Shutterstock and Fotolia account for a total of \$1.4 billion^c In addition, medium-sized photo agencies such as Dreamstime, Alamy and several anonymous respondents in the survey sample make up for another \$156 million.

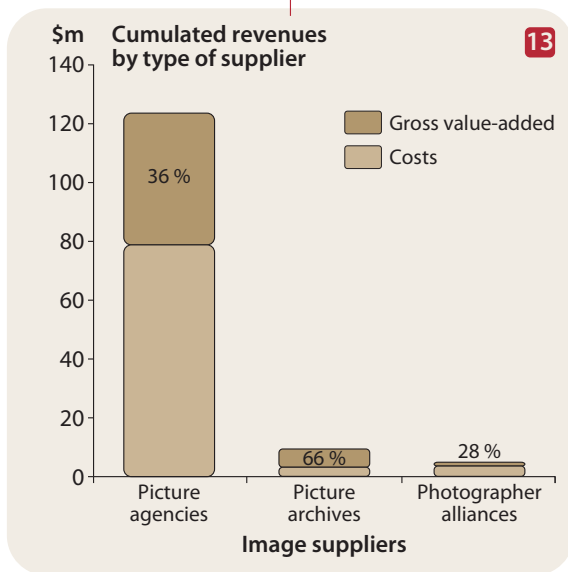
As a result of this composite estimation approach, we calculate \$2.88 billion gross global revenues in the stock image market in 2011 **11**. Although this estimate exceeds previous estimations by business experts, it corresponds well with their rationale. In contrast to earlier studies which limit their focus to still images, the figures presented here also include moving images and related services. In addition, a significant portion of revenues is generated between agencies rather than by final sales to image users. Subtracting an estimated 30 per cent of inter-agency trade from gross revenues, we calculate that image users bought image licenses at a volume of \$2 billion in 2011^d. While these similarities underpin the plausibility of our estimate, the broad empirical base of this global survey as well as a very conservative estimation technique raise the validity of this estimate. In conclusion, the global market for stock images – pre-produced visual/audio visual content – is assessed at gross global revenues of \$2.88 billion in 2011.

Gross Value Added

While gross revenues reflect the sales volume of a firm, *gross value added (GVA)* measures the difference between output and costs for intermediate inputs. This difference is the monetary value a firm adds to the industry. GVA is a more appropriate measure of firm performance than gross revenues since it focuses on the additional gross value created within a firm.

12 shows the overall proportions of combined costs and revenues in the sample. 104 agencies indicated that \$94 million (68%) of their revenues came from direct sales to image users. Another 30 per cent (\$40.6 m) of their revenues came through intermediate sales

GROSS VALUE ADDED VARIES STRONGLY
WITH THE TYPE OF IMAGE SUPPLIERS



with partners and 2 per cent (\$3.3 m) through other sources. These revenue streams add up to a total of \$140 million.

The total costs of external supplies within this sub-sample amounted to \$85.5 m which corresponds with 62 per cent of total revenues. Image suppliers achieved a combined GVA of 38 per cent, not counting internal costs such as wages, rentals and expenses for infrastructure and operations. The biggest external cost factor was the fees paid to photographers with \$33 million (24% of total revenues), followed by fees paid to partner agencies with a total of \$27.7 million (20%). Other external costs (e.g., services) were \$24.8 m (18%).

Corporate GVA varies strongly with the type of image supplier. The majority of image suppliers were picture agencies who achieved a combined GVA of 36 per cent. In contrast, the smaller group of picture archives had a combined GVA of 66 per cent. The few photographer cooperatives reported the lowest combined GVA of 28 per cent **13**.

Business Outlook

Many changes have occurred in the global stock image market over the last years. Based on earlier research (Glückler 2008), respondents were invited to rate the importance of a set of five business challenges on a scale between 1 (disagree) to 7 (agree). The fear of an ongoing price deterioration of visual content received the strongest agreement and most indications among the different challenges. 61 per cent of the suppliers reported full agreement with a maximum value of seven. This finding is another indication of the strong market consolidation that accompanies concentration of market share and stagnation of overall revenues found earlier.

Other areas that were perceived as severe business challenges were copyright infringement and intellectual property right issues (mean confirmation of 5.4), international competition (5.0) and media convergence (4.9).

When evaluating the business opportunities of the distinct license models, respondents rated the prospect for stock photography poorer (mean score 3.7) than for video footage and film (mean score 5.2). Half of all respondents felt the economic outlook for photography to be rather negative (below a neutral score of 4) while the community expects positive opportunities in the market segment of moving images. ■



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NOTES

^aThe precise definition of the size-classes of enterprises is as follows (European Commission 2003): micro firms have a maximum of 9 employees and €2m revenues. There are two sub-classes of micro businesses: one with no or just one employee and the other with 2 and no more than 9 employees. The smallest class reflects the fact that many micro business are single-member companies. Entreprises are classified as small firms when they have between 10 and 49 employees and no more than €10 million in revenues. Medium firms employ between 50 and 249 people and gain no more than €50 million. We change revenue thresholds to US-Dollars at an exchange rate of 1.2. All image suppliers in the sample have been classified strictly according to this EC-classification.

^bAs we lack global data about the composition of the stock image market, we assume that the distribution of sales in our sample is similar to the distribution in the global market place. In order to justify this assumption we divided the sample in two sub-samples: sample A includes all agencies that reported detailed financial figures (n = 104), sample B includes the rest of the sample where image suppliers only reported their number of employees (n = 92). Since firm size is significantly correlated with revenues, and since the distributions of firm-sizes between subsamples A and B was found statistically similar, we conclude that the responses on revenues can be used to extrapolate on the full sample as well as on the entire global market.

^cIn 2011, Getty Images had revenues of \$945m, including istockphoto (Reuters 2012), while Corbis had their latest revenues of \$250m published in 2007 (Liedtke 2011). Due to the continuous downturn of the market, experts expect their revenues to be closer to \$220m in 2011. Shutterstock reported revenues of \$120m (AP 2012), while Fotolia's revenues are said to be only slightly higher than that (Torrens 2012). As a result, these leading players represent nearly 50 per cent of the entire global market for stock images.

^dThis estimate is in the magnitude of Pickerell (2007) who calculated total image purchases of \$1.8 billion in 2007.

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