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Europeana Space Project

Market Analysis For Photography: Extract From D5.1

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This document contains an extract of the main points referring to PHOTOGRAPHY from the Europeana Space report D5.1 (Market analysis) circulated in July 2014. For full reference, please see the full D5.1 final report.

1. Introductory Overview

In order to promote the development of business models that can reuse and therefore enhance the heritage of photography, Europeana should look beyond the image stocking market and its related business models. Selling photos, either Rights Managed or Royalty Free is not the only way to reuse Europeana's photographic content. Many museum institutions are looking for a way to offer tools for a more interactive or appealing experience in museums or during exhibitions (e.g. the Blinkster app in the photography and the museum pilot). Collective storyboarding is another route to enhance the re-use of photographic material (this is the second scenario in the photography pilot). Therefore creative industries, using both content from museums or archives interested in promoting their content and Europeana's heritage, could develop tools (custom museums app, augmented reality apps) for this wide and differentiated target¹.

¹ For more detailed information on market size and potential, please refer to paragraph 5.1.2 and 5.1.3 of the D5.1 final report.

The possibility to give access to Europeana’s content through APIs could stimulate the possibility for developers to find new ways to use this content. The main business models can be grouped as follows:

- Stock photo based on four licensing models,
- Augmented reality that provide an app building platform to enhance visitor’s experience.

The business models are highlighted using the structure of the business model canvas (as proposed by Osterwalder & Pigneur 2010).

2. Business Models: Stock Photos

As the stock photography industry has evolved, different licensing models have emerged. The industry does not have set norms that all sellers of stock have to adhere to, so various models of licensing have emerged with different stock suppliers looking for ways to increase their sales by making the licensing simpler, cheaper and more attractive to picture buyers.

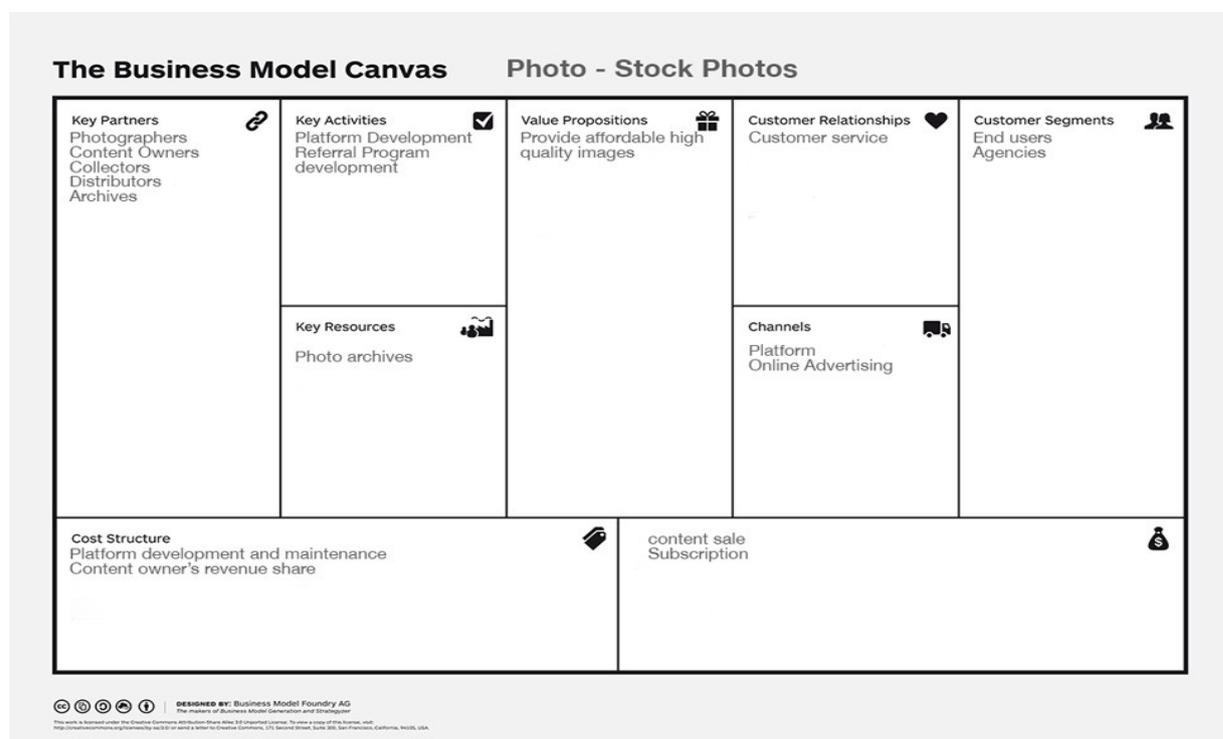


Fig.1:Business Model Canvas for the Stock Photo



In stock photography, rights are sold to use an image. The sale of use rights is known as licensing. There are two main types of licenses used in stock-photography: Rights Managed and Royalty Free. A Rights Managed license gives the user permission to use an image for a specific purpose only and the price charged relates to this usage. A Royalty Free license gives the user the right to use an image for any purpose and the price relates to the particular size of file that is purchased.

Sellers of stock photography use these two license types and package them in various ways to attract buyers. Subscriptions and microstock are two ways in which Rights Managed and Royalty Free licenses are packaged for sale.

The basic principle of Rights Managed (RM) model is that images are paid for according to the usage required. Each usage is calculated separately and an image is sold for a 'single use'. Agencies use complicated formulas to calculate the price for the usage based on factors such as:

- details of use - billboards are charged higher than books;
- editorial or commercial - with commercial use such as advertising claiming higher rates than editorial;
- print run - how many brochures or newspapers will be printed;
- position - an example would be the cover of a book or the inside of a magazine;
- size - is it used quarter page or over a double page spread;
- duration - how long an image will be used, for example, at a trade show;
- territory - will it be used locally or worldwide;
- client - is the client a multinational bank or a not-for-profit.

The second licensing model is known as 'Royalty Free' (RF) and was developed after Rights Managed. Royalty Free images are sold by file size. A high-resolution version of an image with a large file size (such as 60 MB) would cost more than the low-resolution version of the same image with a small file size (such as 1 MB). No restriction is placed on the use of these images once the client has purchased the file other than any terms and conditions agreed in the license. Royalty Free licenses are easier for clients to work with, as they do not need to come back and renegotiate if the image they used on a brochure is now needed for a poster. As the supplier of the image is not informed of every use of the image, however, there is less control over



the same image being used by competitors at the same time. Buyers purchasing Royalty Free licenses understand this risk.

Using the rights managed and royalty free licenses as a base, picture suppliers have created all types of models for selling images; one popular model is to sell subscriptions.

Subscriptions can work on either a rights managed or royalty free basis. A subscription is simply an agreement with a supplying stock agency that a client may use a certain number of images, or an unlimited number of images for a certain fee, over a specified time frame. As the number of images used is usually higher than if the buyer was purchasing one image at a time, the price per image tends to be significantly lower. So if a buyer is committing to purchase a subscription, which ties him or her in to buying a large amount regularly, the resultant cost per image tends to be quite low. Subscriptions work well for clients who need to use large numbers of images. In general only large picture libraries can offer subscriptions, as smaller libraries will be unlikely to be able to supply enough new images to clients month after month.

A number of factors have affected the pricing of images to a point where images are sold on some sites for \$1 or less. These cheap images are known as microstock. Microstock has emerged as a significant force in the stock industry over the past decade. The model usually works using the Royalty Free license and buyers, more often than not, have to buy a subscription to access the images. Images are offered for very low prices. The factors influencing this included:

- the number of digital images available since digital cameras have made it possible for keen amateurs to take professional quality images;
- the ease of using online databases to manage images;
- the entry of the “man-on-the-street” into publishing and image usage through blogs.

The advent of microstock has had an impact on all the licensing types with pressure to reduce rates to compete against them.

The prices generated from all these licensing models differ from one picture library to another based on the country the library is based in (for example prices in Germany are higher than in China) and the individual policy of each picture library. Certain professional stock industry organisations have produced guidelines to try to

standardize pricing; this, however, remains variable and often the final price is a result of some amount of negotiation with the client.

In terms of license models, rights-managed photography (RM) takes the share of 62%, while royalty-free photography (including microstock) (RF) contributes for 22% to total sales. The four different agency models (Classic, Collector, Distributors and Go-Between agencies), offer distinct opportunities to create and capture economic value from the trade of usage rights in visual content. Therefore, we do not pretend that any business model proves superior to all others. However, each of them is accompanied by distinct risks and opportunities that are reflected in measures of firm performance. The biggest group of image suppliers is still represented by classic agencies that directly bridge creators and image users and realize a mean Gross Value Added (GVA) of \$90,000 per agency.

In contrast, the new business models of creator-focused collectors and customer-focused distributors realize more than double a Gross Value Added per agency of \$200,000. In part, this difference is a result of firm sizes, although collectors are amongst the smallest agencies in this respect 14.

The table summarizes the main characteristics of the four business models identified and illustrates how diverse the business opportunities and specialization strategies have become in this industry.

	<i>Selling to image users</i>	<i>Selling to partners</i>
<i>Collecting images from creators</i>	CLASSIC <ul style="list-style-type: none"> • Creator and customer focus • Largest group of agencies • Original content • No royalty-sharing with partners - customized image stocks • Moderate GVA but high value added per image 	COLLECTOR <ul style="list-style-type: none"> • Exclusive creator focus • Quality niche: unique content • Distribution through partners • Royalty-sharing with creators and partners • High GVA and highest value added per image
<i>Collecting images from partners</i>	DISTRIBUTOR <ul style="list-style-type: none"> • Exclusive customer focus • Economies of scale: largest firms with largest image portfolios • Royalty-sharing with partners • Pronounced market intelligence • High GVA but lowest value added per image 	GO-BETWEEN <ul style="list-style-type: none"> • Exclusive partner focus • Redundant content • Small enterprises with large image stock • Royalty-sharing with partners at both ends of value chain

Table 1: Summary of the main characteristics of the four business models

3. Business Models: Augmented Reality

An archive like Europeana needs to find more than selling his own content, directly or through agency to exploit his potential. There are many way to reuse of its photographic content: many creative industries develop applications or platforms for museums or exhibitions in order to add layers of knowledge (with computer graphics and narration) simply framing some works of art, view additional information and multimedia content overlapping (video and 3D animations) at certain points of interest, see reconstructions of monuments and 3D environments, where there are only ruins, and much more.

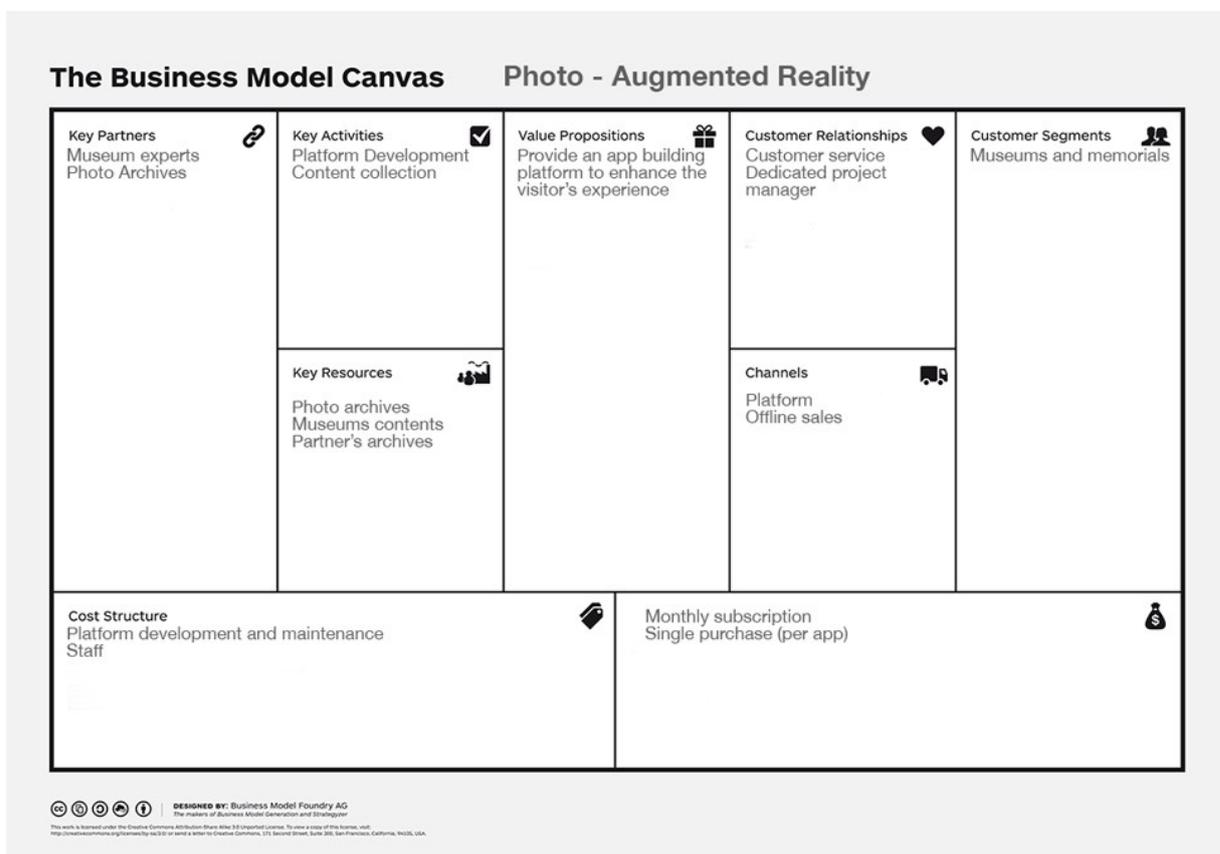


Fig.2:Business Model Canvas for the Augmented Reality

Products like custom museums apps (like the British Museum or The Louvre app) or other apps (as the Blinkster app in the first scenario of the Photography pilot) can be developed by creative industries mashing up the museum content with Europeana



content giving the possibility to enrich the content of a specific museum with the one provided by Europeana.

For a detailed analysis on business models, which can use Europeana's content for museums please see the section on Museums in section 9 of the final D5.1 report.

In the spring of 2008 the National archives of the Netherlands decided to experiment with making a small selection of its extensive image database available to the public through 'Flickr the Commons' (<http://www.flickr.com/commons>). The goal of this pilot was to encourage user participation and to experiment with making materials available. The results were remarkable. Over six months the 800 photographs have been generating more than one million page views, nearly 2,000 comments and more than 6,800 tags. These results led the archives to decide (after a detailed evaluation) to include this experiment within its line organisation ('Taking pictures to the public', 2009).

Collaborative storyboarding is a new trend and it could also be a good way to stimulate the reuse of a photographic heritage. StoryboardThat (<https://www.storyboardthat.com>) is a platform for collaborative storyboarding that provides 45,000 images already plus the possibility for users to upload more. This kind of platform, which is similar to the second scenario proposed by the Photography pilot, comes with a premium subscription model and targets not only the individual user segment but also the education and corporate segments. This could also inspire the publication of the photographic heritage in schoolbooks or magazines and is strictly connected to the Open & Hybrid Publishing area (section 8 of the final D5.1 report).

Creative industries could also develop advanced platform using AR technology, as proposed in the third scenario of the photography pilot, to build custom app for museums or memorials which can give it free to visitors or make them purchase it. For example Aurasma (Aurasma.com) is a company, which allows its customers to develop their own AR app: it is a commercial app that allows you to create an entire AR experience using an iPad or Android tablet.

As well as allowing you to upload your own overlays, a large number of different types of prepared overlays is also available. A platform like this is suitable for the reuse of Europeana's metadata: on one side the possibility to build a custom app based on the museum content, on the other side a library of content already prepared by Europeana ready to be mashed up.