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Editorial: Slicing and dicing the numbers at Alamy



For several years, Alamy has published a fascinating set of quarterly statistics about the growth and composition of its archive and percentage break-downs of sales components. Details provided in the quarterly reports include numbers of new RF and RM images added to the archive, numbers of images contributed by photographers vs. agencies, average license fees for RM and RF images, and percentages of revenue derived from RM vs. RF licenses. The company's decision in the third quarter of last year to also make public its actual revenue figures provides an opportunity to analyze its performance in a deeper way and raise questions about the trajectory the combined figures imply.

Alamy has recently achieved, or nearly achieved, two significant milestones: total images now exceed 10MM, and total annual revenue has almost reached \$30MM. Of course, and obviously, the revenue growth can only be viewed as a positive sign for the business. The growth in the archive raises the question of a less positive user experience, however, i.e., more images for the clients to plow through before they find the right one. The company argues, and quite convincingly, given the revenue growth, that it needs more images to ensure its clients find what they need and keep coming back. When viewed in conjunction with the growth in revenue, however, the growth in the archive raises questions about where the company is headed in the years to come.

Underlying the questions I refer to is the disparity in the growth rates of the archive and the revenue. According to Alamy's most recent report, it has added over 8MM images since the beginning of the third quarter of 2005. If the company now has about 10MM images, we can conclude the archive has grown by about five times since 3Q05. Revenue, on the other hand, has grown from \$18.9MM in 2005 to \$29.3MM in 2007, or only by one half, over that period. Put another way, the archive has grown ten times faster than total revenue. For photographers, this raises the question of a steeply declining Return Per Image or RPI. In rough numbers, if the company made revenue of \$19MM on \$2MM images in '05, that's an annual RPI of \$9.50 per image. If it then made \$30MM on 10MM images in '07, that's an RPI of only \$3.00.

This has to be a tough pill for photographers to swallow, though, as we all know, the trend of making less money with more images afflicts all stock photographers in today's market. Nonetheless, will the diminishing return for photographers cause them to upload fewer images? Might the drop in total images submitted in 4Q07 (789K) as compared to the previous seven quarters (average of 886K) have something to do with this?

The disparity between growth in archive and growth in revenue at Alamy also raises the question of where the company is headed. It appears the two indicators have a direct relationship, that is, that the archive must grow in order for the revenue to grow and that the revenue growth is, in fact, dependent on the archive growth. Can the company sustain the astronomical growth of the archive in order to perpetuate its enviable, though less astronomical revenue growth? The point made above about declining RPI and potentially lessening submissions casts a worrisome shadow over this issue.

On another, related topic, much recent blog chatter has centered on the RPI of Alamy vs. iStock. One factor seemingly ignored in these discussions has been the percentage of Alamy revenue generated by images from agencies of 46% vs. images from individual photographers of 54%. These proportions have held relatively steady over the last two years. Knowing these agencies take a cut before distributing the photographers' share, this must have deflating effect on the RPI to the pool of all photographers whose work appears on Alamy.

Finally, according to Alamy's 4Q07 stats, the company's principal customer base lies in the editorial segment. Editorial licenses accounted for 75% of revenue vs. 25% for commercial clients in 2007, up from 71% (vs. 29%) in 2006. This lends credibility to the argument that making sure to have the right image supercedes concern that having too many images might cause a poor user experience. Editorial clients generally need specific subject matter while creative/advertising clients define their needs more broadly. The company has said, however, that part of its growth strategy includes increasing its commercial client base. It will be interesting to see whether Alamy's unique business model can expand as successfully in the commercial market as it has in the editorial market.

Despite the questions raised here, Alamy remains a bright spot in an industry where uncertainty reigns. In addition to its strong revenue growth, the company pays its suppliers among the highest commissions percentages in the business. Management has a progressive approach, seeking to enter new markets with a so-called Novel Use System (details yet to be made public.) and a keen sense of social and environmental responsibility. One wonders whether Alamy, with its success, has had to fight off would-be purchasers. One hopes it will continue to maintain its independence, while also maintaining its delicate balance.

To see Alamy's 4Q07 report, click [here](#).

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