

How to Beat Goliath

Big, rich rivals may be intimidating, but a small business can outmaneuver the giants— if it's smart about using new technology.

SLUMPING SLIGHTLY AND TAKING little interest in his salad, Jon Oringer, 34, doesn't fit the image of the hyperkinetic entrepreneur. The founder of stock-photo firm Shutterstock.com even yawns as he describes his no-holds-barred assault on industry powerhouses Corbis, owned by Bill Gates, and Getty Images—as in the Getty oil family. Oringer is so laid-back, it takes coaxing before he offers a few fighting words: “They had an overpriced, antiquated business model,” he says. “They weren't reacting, so I did.”

Along with a few other fledgling firms, Shutterstock upended the decades-old way magazine and book publishers bought photographic images, wresting control of a sizable chunk of the stock-photo industry. And its rise offers a classic example of an advantage that small firms hold over bigger competitors. The little guys, it turns out, can quickly adapt to technological change, while their established rivals cling to older business models. “As companies get larger, they have a difficult time moving away from their own technology,” says Ellen Rudnick, professor of entrepreneurship at the University of Chicago's Booth School of Business. She cites TiVo and Netflix as firms that grabbed profits by bringing new ideas to industries that were slow to change.

The stock-photo industry has two main branches. There's the royalty-paying segment, for distinctive copyrighted photos like the famous one of Einstein sticking out his tongue. Such photos rent for thousands of dollars and make up the bulk of Corbis and Getty's business. Then there is the

less arty, rights-free segment for ordinary images—say, a picture of Oringer's salad. Until recently, Corbis and Getty had this market cornered too, charging hundreds of dollars for each use.

Six years ago, while setting up a Web site for his software business, Oringer noticed how expensive these simple images were. It didn't make much sense: After all, advances in digital photography were enabling amateurs like himself to make great photos cheaply. He decided to put his own photos on the Web, selling them for a fraction of what the big guys charged. He also used the Internet to do “crowdsourcing”—making an open call for content. Other photographers were eager to add pictures, since it was nearly impossible to get Corbis or Getty to notice their work. Within a year the new Shutterstock had 100,000 photos to offer.

Oringer moved quickly to promote his new baby; he took out ads in trade publications, bought Google search words and attended trade shows. Budget-strapped Web designers loved his site, and Oringer was profitable from the start, even nailing down major customers like the magazine *The Economist*. While Shutterstock and other so-called microstock houses like iStockphoto and Fotolia stole market share, the oligarchs were slow to re-

Corbis and Getty cornered the stock-photo market—until “microstock” companies figured out how to beat them on price.

act, says Andy Goetze, of Stockphototalk.com, an industry analyst. It wasn't that Getty and Corbis couldn't compete; it's that they, like other market dominators, took an “if it ain't broke, don't fix it” approach.

Getty eventually got around to buying iStockphoto in 2006, while Corbis created SnapVillage in 2007. But Shutterstock's technological head start helped it to build a thriving business; it recently enjoyed its 60 millionth download and is now offering online stock video—another fast-growing area with opportunities for businesses that can move at shutter speed. Right now Getty and Corbis are players in this category. Just a guess: They will soon be eating dust. **S**

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