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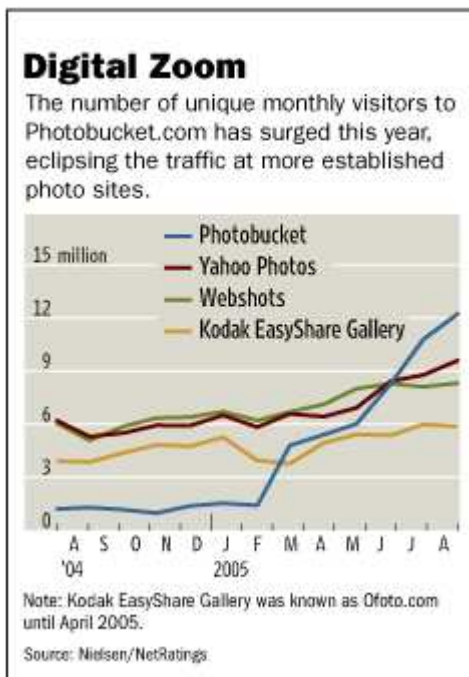
Smile, You're on Photobucket

Bloggers Looking to Share Images Flock to Upstart Photo-Hosting Site

By VAUHINI VARA
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A year ago, relatively few people had heard of Photobucket.com. While the upstart Web site is still far from a household name, it has emerged as the most popular online photo destination in recent months, drawing more visitors than established sites from companies like **Eastman Kodak Co.** and **Yahoo Inc.**

Photobucket.com Inc., started by a photo buff who wanted a better way to share images with his friends, has seen traffic surge tenfold in the past year. In August, it had 12.2 million unique visitors, compared with 9.6 million at Yahoo Photos and 5.9 million at Kodak EasyShare Gallery, according to research firm Nielsen/NetRatings.



The company's meteoric rise offers some insight into the changing world of digital photography. **Photobucket**¹ doesn't sell prints. Instead, it provides so-called "image hosting" by wooing Web users who are less interested in printing copies of photos and more interested in showing them off on their blogs and social-networking Web pages. But like many young Internet companies Photobucket faces stiff competition and is looking for a way to turn its popularity into dollars.

"It's a very neat idea. I'm just trying to figure out what their business model is," said Gary Pageau, a spokesman for the Photo Marketing Association International, a trade group for film processors and retailers.


Virtual Middleman

Photo sites from Kodak, Yahoo and **Hewlett-Packard Co.** use a hybrid approach to making money on the Web: Hook users by letting them upload their latest digital photos to the Web and share

them for free, then charge around 15 cents for prints. Sites like **Yahoo Photos**² and H-P's **Snapfish**³ say their typical customer is a parent looking for ways to share snapshots from, say, the family trip to Disney World.

Photobucket said it is targeting a younger audience, including teenagers looking to dress up their blogs. Blogging sites like LiveJournal and Xanga don't allow users to upload photos to their blog entries unless

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they pay up to \$4 a month for premium services. Meanwhile, at the popular social-networking site MySpace.com, users are given enough room to store about a dozen photos.

Photobucket acts as a sort of virtual middleman. It provides a free service that lets users store hundreds of snapshots in photo albums on its site and link to them from anywhere on the Internet, from blogs to eBay auction pages. It does this by giving users the Web code needed to insert their photos on other Internet pages. When people visit a blog that is using this code, the images are automatically pulled from Photobucket's stored albums and displayed.

"Young people, in my mind, drive innovation," said Alex Welch, the 29-year-old founder of Broomfield, Colo.-based Photobucket. "Kids are always uploading photos. Every time they take new pictures, they want to upload them."

Photobucket is among a raft of similar sites with names like [ImageShack](#)⁴ and [ImageVenue](#)⁵, which are seeing a surge in visitors as interest in blogging and social networking grows. The challenge for those sites, analysts said, is in translating that popularity into revenue. They generally offer their services for free, relying on advertising or premium services for revenue. Photobucket offers 25 megabytes of free storage space – enough for about 500 small pictures – and offers more space in a premium package for \$25 a year. Mr. Welch declined to say how many users have signed up for the company's premium service, or to disclose financial details.

Counting on Ads

The upstarts like Photobucket generate much of their revenue by showing users ads when they visit Photobucket.com to upload photos or view an album. It's a risky move: In the late 1990s, a host of photo-sharing sites tried relying on ads to make money, only to fold when the Internet bubble burst. "How do they get to the point where they generate enough traffic to get the big advertisement dollars?" said IDC digital imaging analyst Ron Glaz. "I never feel comfortable with just that advertising model."

(Snapfish and another popular site called Webshots also feature ads on their sites, but Snapfish said it plans to be ad-free by the end of the year, like rivals Yahoo and Kodak.)

Mr. Welch said the cost of storage and bandwidth – the biggest expense for his site – has fallen drastically since the late 1990s. Photobucket also is run with little overhead: It now has eight employees, but until earlier this year, the staff consisted of two people.

Mr. Welch founded Photobucket two years ago "as a hobby," while he was still working as an engineer at a telecommunications company. When it started to take off, he recruited a co-worker, Darren Crystal, to help him out, and Mr. Crystal's basement became the company's headquarters. "That was where we staged everything and wrote all our code," Mr. Welch recalled. By this summer, though, the site had grown so much that Messrs. Welch and Crystal expanded the staff and moved into an office building.

Clicks, Not Prints

Analysts said use of sites like Photobucket represents a big shift in the way people use their cameras. "Ten years ago, everybody printed. It was the only way you could look at your pictures," said Charles LeCompte, president of Lyra Research Inc., a Newtonville, Mass., firm that follows the imaging industry. "Now, people are realizing you don't have to print. Printing is expensive."

CNET Networks Inc.'s Webshots, which ranked No. 3 in Nielsen's August list with 8.3 million visitors, sells prints, but its site is focused heavily on getting users to browse each other's photographs. [Webshots](#)⁶ doesn't let users post photos on outside Web pages, but it encourages visitors to download photographs to

use as screensavers and desktop wallpaper on computers.

It wouldn't be difficult for one of the more established photo sites to copy the services offered by Photobucket and its peers, but they say they are staying away from image hosting for now.

"The business model in photo processing has been based on output since the dawn of time, and that's certainly still the case now," said Paul Schumer, vice president of marketing at Snapfish, which sells prints and other products like personalized coffee mugs. "That is a proven model."

Yahoo's photo site "is targeted to a mainstream consumer audience, including wired moms," a spokeswoman said. "While we are always evaluating new improvements, this is not an enhancement that Yahoo Photos users are telling us they want currently." However, [Flickr](#)⁷, a photo site Yahoo acquired earlier this year, has been active in targeting a younger audience and provides tools that help registered users insert photos into blogs.

Meanwhile, Kodak's [EasyShare Gallery](#)⁸, formerly called Ofoto, has a premium service that lets users create a personalized Web page to store and display their photos, but it doesn't deliver images to blogs or other Web sites. David Rich, vice president of marketing, said the company has no plans to offer a hosting service similar to Photobucket's.

Write to Vauhini Vara at vauhini.vara@wsj.com⁹

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- (3) <http://www.snapfish.com/>
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