



## Stanford eCorner

### Reframing the Photo Market

Jeff Housenbold, *Shutterfly*

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Video URL: <http://ecorner.stanford.edu/videos/1982/Reframing-the-Photo-Market>

Jeff Housenbold recalls that he was spending nearly two thousand dollars a year on Shutterfly.com before he came on as CEO. His personal experience - a family of growing memories to record - paired with his business expertise in melding community and commerce, inspired him to revise the online photography website. He repositioned the company from photo finishing to personal publishing. And selling memory, not product, is how he accounts for his venture going public and establishing a broader market presence, generating over \$180 million in 2007.



#### Transcript

But I was my high school and my college yearbook photographer. And my wife and I, we have three little boys who are 3, 4, and 6 now. We spent \$1,900 on Shutterfly the year before I even joined, and we used it. As I was stepping back, my wife has a work in MBA and she worked at Baine and was a mom. And we were busy, you know, duo wage income family, with friends and family geographically dispersed across the country. We were using Shutterfly to stay connected to people. We were using it as a creative outlet. My wife was a physical scrapbooker and I was a photographer. And were kind of characterizing and capturing life's events and we want to share our memories and tell our stories with people who are close to us. And when I looked at Shutterfly, I kind of said, "Wow! It's a photofinisher." It competes with Kodak and it competes with Snapfish and competes with Wal-Mart and Costco and Yahoo!.

There's nothing really special and different about it. But as I expanded my perceptual map about what it could be, about a personal publishing platform and about a social expression vehicle for helping people stay connected, that became interesting to me. I ended up joining January of '05 and had been running Shutterfly for a little over three years and we took the company public five quarters ago. And when I first joined, we were about 10 points behind Kodak in market share. And now, we've passed them to be the market leader and we've expanded this notion beyond photofinishing to be really one about personal publishing and social expression, but we're doing it for relationships that are closer in. So people ask me, how am I competing with Facebook and Flickr? We're really not trying to. So if you think about these concentric circles, it's you and your immediate family, your close friends, your colleagues, people who you've had shared memories and shared experiences with, and then people who have shared interest, and then the Internet. And so let me explain a little bit about that, the last two. I have kids and my four-year-old plays soccer. I'm interested in interacting with the other parents on the soccer team because they're taking pictures of my kid scoring a goal.

We're having a shared experience together. There are people who I want to have their relationship with. I may only want that relationship during the season. It may not last longer than that - the kids, you know, move on to other teams, but I want to interact with them. I trust them. I want to share my memories with them. I want to grab some of the content that they have captured with them. That's where we play. I'm not interested in meeting other parents of soccer-playing kids in America or the world. When you get into my target of demographic, which is the old guy with kids, I barely have time to talk to my wife, my best friend, or my family.

I'm not looking to put a persona out on the Internet and see how it rocks and meet new people. I'm really looking to what tools can help me stay connected in this busy world where I'm on the cellphone reading the BlackBerry driving at the same time. And so there are other sites out there that are more about this expansive vision of meeting people with shared interest that go beyond any shared relationship. And then there's the entire Internet which are other types of sites as well. We're not trying to compete there. We're trying to compete where 75% of our customers are women. They tend to be highly educated, high disposable income. They tend to not care about technology. It's how does technology make my life easier, faster, better help me enhance my relationships. So it's not about what's the coolest new gadget, what's the newest widget, what's the sharing paradigm.

And it's not about voyeurism. So if you think about YouTube, YouTube is a publishing platform, not dissimilar from radio or television where lots of content goes on, but it's made by a very small piece of the total viewership and then people view it and then they monetize it through advertising. Very similar to Flickr. About less than 1% of Flickr users generate more than 95% of the content. So it's few publish, many view, it's a different model sponsored by advertising. We're trying to make money for people who want to share their memories. They're going to pay for physical products, photobooks, cards, calendars, prints, mugs, mousepads, all those things. And we generated over \$180 million of revenue last year in doing so where many of these social sharing sites haven't really made money. So you look at Slide, which is a great widget. I'm sure we all use one of their products - FunWall and other photo-viewing stuff.

They have 80 million users with no revenue. All right. So as you think about what businesses you want to go into, think about, is it a business or is it a product and service? Because products and services, venture capitalists will give you money to go after products and services. They don't really scale over time. So are you creating a real business and are you creating new ways of doing things that makes people's lives easier, better, more fun, more interesting and can you generate revenue from them?