

Shutterstock: Sustainable Profits?

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By Steve GibsonTue, 2016-01-26 08:47

At the end of last week [Shutterstock](#) [3] announced it was about to change its royalty rates for Extended Licenses. You can read the [details of the changes on microstockdiaries](#) [4]. Announcing the change would take place and then letting us wait a few days for the change to appear on the [payouts page](#) [5] was uncharacteristically limp-wristed for Shutterstock.

Simplification to a Flawed Model

It's still beyond me how a flat rate is less simple than a series of payment tiers based on previous earnings (apart from an obvious attempt to sugar-coat the bad news). What is interesting is that it's a choice that places Shutterstock further into a tiered payment model that [istock claimed was simply unsustainable](#) [6] when making major [changes to the royalty structure back in 2010](#) [7].

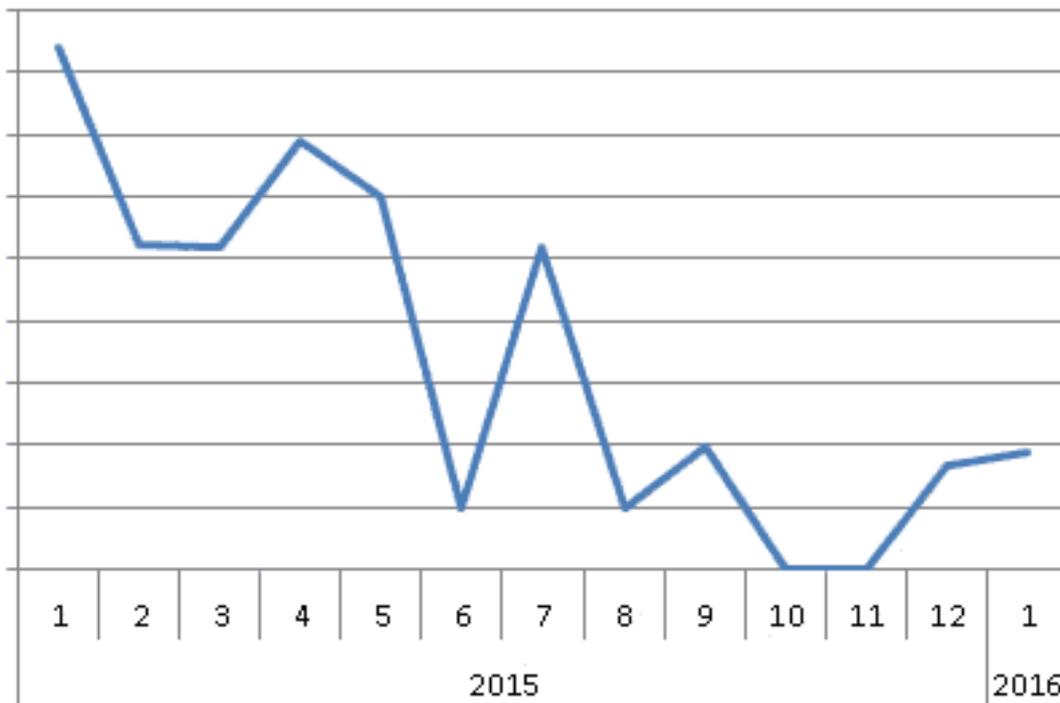
The change itself I don't see as that significant as it stands (I'm sure some of you will be upset, and I hear you all saying it's easy in your position with a small pay rise). But it's alarming when combined with the other little slices that Shutterstock have taken in the past couple of years, it seems pretty obvious there is more to come if a near 30% growth in revenue is to be maintained.

It was only a matter of time before the spotlight fell onto photographer royalties, we don't really know what happens inside the machine, we're just able to spot patterns in what we see on the outside. While wearing one of my other hats I earn money referring buyers to stock agencies like Shutterstock, some of the changes that spring to mind are related to referrals not directly to photographers or buyers:

[Cuts to Photographer Referral Lifetime \(shutterstock forum, Feb 2013\)](#) [8]

[Reduction in entry standards \(to the presumable end of improving the "number of images" or some other metric\)](#) [9]

I'm also watching [buyer referral](#) payouts dwindle:



I'm not too sure what to make of it. Shutterstock was once a strong earner for me, last years results were less than pleasing (to the point of my now sending buyers to [depositphotos](#) [10]).

[Background on the graph above: traffic, page views, visitor sources, etc at the website these stats relate to were level across the year, nothing changed in layout of the site or traffic from search etc. Other than site visitors potentially being 'saturated' with Shutterstock subscriptions, I really don't know what's happening here, and I'm interested to hear from anyone else working in the market.]

For what is worth, my income as a photographer is going up (or at the very least standing still when viewed pro-rata with images I'm adding to my portfolio, considering the growth of the image collection at Shutterstock that can't be ignored as a counterpoint to this.

Is the Shutterstock Bubble about to Burst?

The alarming paragraph title is perhaps not so warranted, we have been there before with [iStock](#) [11]; it took several years for the 'clear market leader' to lose their shine, there probably won't be a burst. We should also note that iStock also made numerous business decisions I felt to be "completely surreal" before it became noticeable that they had lost so much ground the downturn was irrevocable. Shutterstock not made such dreadful choices so far (you might argue this is one), but they are definitely now heading down a similar path. That path might have been inevitable from the day they floated.

Minimum Viable Payout Rate

The big question for Shutterstock is how to find that payout rate. Cut the rate too much and contributors will leave, make it too high and the shareholders will want blood. Leaving it alone is also a cut in real terms.

As contributors in mainstream microstock we have little choice at all in the matter, but to get paid the market rate or leave it. That rate is complex, it's spread across multiple agencies and is dependent on the success of that agency, minimum quality of content buyers expect and more.

Like paying an employee the right salary, the choice can't be simply made by reducing until the employee leaves: they might not be happy to come back when offered a tiny bit more than what they felt was not enough.

With the recent Getty / Corbis collection deal, Fotolia + Adobe + Subscription in the Creative cloud, and several convincing looking start-ups vying to take their own little slice of subscriptions market, the future looks decidedly "dynamic".

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