

## PHOTOBOX LIMITED

With the dramatic growth of digital photography and internet use among consumers, PhotoBox has exploited this market to deliver a reliable, high-quality service offering a facility that allows customers to store, share and print digital images so they can be delivered anywhere in the world.

### OBJECTIVES

More and more consumers are developing portfolios of digital images that they want to be able to share with their friends and relatives, print as photos easily and give as gifts on special occasions.

PhotoBox recognised the opportunities provided by this developing market and set out to provide products and services that could not be obtained from a traditional high street photographic supplier or print-shop. To do this, PhotoBox had to develop an online solution that was low cost, could be developed quickly and that had very low operational overheads. And in order to stay ahead of the competition, it also needed an online solution that would permit it to add new functions and services quickly and easily.

PhotoBox also wanted other internet companies to be able to 're-skin' the service and to present it as part of their own offering. This is termed as a 'white-label' strategy, which offers the potential to generate a much bigger cash flow than could be achieved using PhotoBox's own services.

"The trick to building a great online business is to recognise the difference between a great idea, and a great idea that works online," says Mark Chapman, Managing Director of PhotoBox Ltd.

### SOLUTION

The company developed its own software system, based on low-cost, open source software. This approach allows PhotoBox to easily develop and deploy additional services in order to maintain its market lead.

"Our architecture is based on hardware that is constantly getting cheaper, but with each component being a fairly small piece of the pie. We therefore add horsepower, functionality and storage as and when required." comments Mark.

As data security is essential, in addition to password protected access, PhotoBox runs its service on two clusters of servers in separate locations and the data is replicated between sites for back-up purposes.

**Best practice in:**  
E-trading

**Sector:**  
Arts/Leisure/Creative  
Services & media?

**Size of firm:**  
38 employees

**Location:**  
London

**Website:**  
[www.photobox.co.uk](http://www.photobox.co.uk)



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Its core service allows users of the site to upload images from their PCs or mobile phones and store them for free in a personal online album. This can be shared with friends and family, who are e-mailed and encouraged to register in order to see the images. The image owners and viewers are then able to order prints of specific pictures and these are delivered by PhotoBox, generating substantial revenue for the company. In turn, these new users are attracted to using the services of the site themselves and this ‘viral’ marketing has proved highly effective.

An extension of this service allows a customer to create a 13-page personal calendar, using their own images, captions and a choice of templates. Once complete, a single calendar will be produced and shipped in a matter of days.

Additional functionality has been developed to allow amateur and small professional photographers to sell their pictures at a premium over others on the site, for no extra charge from PhotoBox. “This is particularly popular with small local groups that want to raise money; most often schools, clubs and societies,” says Mark.

The white-labelling option has been extensively exploited with a range of other, well-established internet services now using PhotoBox’s product to deliver services under their own brands.

“Ours is a fairly classic internet service business model,” says Mark. “We offer a set of free-to-use services which bring us both the opportunity to market to registered users, and the likelihood that photo sharing will then bring in new users.”


PhotoBox makes effective use of its customer data by periodically ‘mining’ it to promote new services or re-promoting existing ones to users who have been inactive.

## RESULTS

The business, which was originally started in a garage in Clerkenwell in 1999 using a digital minilab, survived the dot.com crash of 2000 to go on and become the UK’s most successful dedicated digital photo-lab. Further investment this year also means that PhotoBox is expanding and moving to new purpose built premises in Park Royal in preparation for the tens of millions of prints which will be processed through the lab this year.

The company has established and is maintaining a clear market lead. “We believe we will remain ahead of our competition, which are mostly existing photographic brands, simply because we don’t have a ‘bricks and mortar’ franchise,” says Mark. “Today





99% of our turnover is from online business, and 100% of our focus is on improving the online services our customers use.”

The use of ‘viral’, word of mouth marketing, such as refer-a-friend and album sharing, has helped to bring in customers faster than standard means alone. Our total customer acquisition costs are about half what they otherwise might have been,” says Mark.

The ‘white-label’ strategy has worked brilliantly. In May 2002, Freeserve (now Wanadoo) launched PhotoBox’s photo service to its customers and their customer acquisition rate tripled in three months. This deal provided the springboard to similar contracts with internet service providers including AOL, Tiscali, NTL, Telewest and most recently The Carphone Warehouse. “Today, 50% of our new customers come from partnerships, and that service of ours remains a unique selling proposition in the UK market,” says Mark.

PhotoBox is the only independent UK service of significant size in this market, as verified by external market research. Turnover has doubled for the past two years and is expected to continue doing so.

## **CHALLENGES**

Mark acknowledges that initially the team did not have a rounded set of skills. “We were good technologists, planners and administrators, and we have good financial skills and imaging skills on call,” he says. “We knew little of sales and marketing and guess where we fell short. This failing was put right in time to manage the launch.”

“Now, if there is a weakness, it’s that the site’s look and feel is starting to look a bit tired,” says Mark. “Although it’s completely functional, we feel it requires a complete makeover to reflect the change in our marketplace, as digital photography goes truly mass-market.” That task is already in hand and a new user friendly PhotoBox website was launched in October 2004.

The profile of the people who use the site is changing too. Rather than being mostly male young urban professionals, new users are women. “That corresponds with our expectations – in the traditional photographic roll film market, 75% of total spend is by women,” says Mark. “Our marketing plans are being made accordingly.”



### Top tips:

- Producing a website system that can be re-branded by other companies can bring wider potential sales.
- Mining the data already held in the website can unlock extra business from existing low-activity customers.
- New revenue streams can be generated by focussing on services that can be delivered economically through the web but not by high street stores.

### THE LAST WORD

PhotoBox has created a thriving business that is growing rapidly month by month. However, it is seeing already an increasing number of photos submitted from mobile phones. Convergence of high-bandwidth mobile internet connections and phones with cameras will create a market for an online camera – the device, and the online service behind it. PhotoBox believes that it is uniquely positioned to take advantage of this new market, either as a service partner, or as a retail brand in its own right.

“Our business was designed, front to back, to exploit what we believed to be a significant online opportunity as consumer photography migrated from analogue roll film to digital. Our strategy will remain 100% dedicated to internet-based, and increasingly location-independent, customers,” Mark explains.

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