

Getty Images To Pay \$42M For Pump Audio

By Ethan Smith

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Seattle rock trio the Presidents of the United States of America haven't had a hit since their novelty song "Peaches" reached the top 40 in 1996 with the infectiously silly refrain "millions of peaches, peaches for me."

These days, singer and band leader Chris Ballew is still earning money from songs he writes and records - hundreds of them - thanks to a relationship with Pump Audio Inc., a six-year-old start-up whose business model is nearly as novel as Ballew's old hit single. The company is backed by Greycroft Partners LP, Village Ventures and High Peaks Venture Partners.

Pump maintains a catalog of over 100,000 songs, all of them by musicians who aren't signed to traditional publishing or recording deals, and licenses them for flat fees for use in films, TV shows, Web presentations and various kinds of ads. Pump says it generated 80,000 placements of music in television alone last year, and boasts of clients from MTV to NBC to the BBC to Nike to Mercedes-Benz.

That got the attention of suitors: Today, Getty Images Inc. plans to announce that it is acquiring Pump Audio for \$42 million. For Getty, the world's largest creator and purveyor of still and moving images, buying Pump represents the latest step to expand beyond its core business.

The deal gives Greycroft its first exit from its inaugural \$75 million fund, and a quick return on its first investment. Alan Patricof, the founder and former chairman of the U.S. arm of Apax Partners, launched New York-based Greycroft in March 2006 and closed its first deal in May with Pump Audio's Series A funding, the amount of which was undisclosed.

A key to Pump's business is the way it lets clients search its database. The service offers a menu of simple search criteria, such as whether the song has lyrics or not, the kind of instruments used, as well as its genre, tempo and mood.

"It opens up the production community to people who play the ukulele," says Pump Chief Executive Steve Ellis. "Which the major labels don't offer."

For instance, a search for an uptempo, instrumental-only, alternative-country song with a "Quirky/Wacky/Silly" mood turns up a zany 78-second ditty called "Tip e Toe III." (The service's Web site doesn't currently identify the performer.)

Rates range from \$25 for use in a podcast to hundreds or even thousands of dollars for a theatrically distributed film or network television show.

Pump splits the licensing fees evenly with its artists. Mr. Ballew's arrangement with Pump earns

him anywhere from \$8,000 to \$40,000 every six months, representing about 25% of his income. It's a far cry from the world of pop radio and sold-out tours. The songs Mr. Ballew writes for Pump are often much shorter than traditional pop songs, and have goofy names like "You Broke My Monkey" and "Pink Passenger."

"A lot of my early uses were in pornography," Mr. Ballew says with a chuckle.

Notwithstanding the racier uses to which Mr. Ballew's music has been put, Pump's biggest client is Viacom Inc.'s MTV Networks, with other reality-TV and documentary producers such as the Food Network and the Discovery Channel also heavy users.

"The average TV episode is using 20, 30 or even 40 pieces of music in a half-hour," Pump's Mr. Ellis says. Music that has been released by major labels generally requires at least two sets of permissions, each of which must be negotiated on a case-by-case basis. Pump argues that its product allows users to move much more quickly and cheaply than they can going after bigger-name acts.

The deal announced today could significantly expand the reach - and therefore the earning potential - of Mr. Ballew and the thousands of other musicians Pump represents. Where Pump has about 30 full-time employees at its Tivoli, N.Y., headquarters, Getty has 650 sales representatives throughout the world and maintains close relationships with big ad agencies. Getty believes that the larger distribution network will help improve Pump's "modest" revenues. A person familiar with the company says its 2006 revenue was less than \$10 million.

Getty Chief Executive Jonathan Klein says he considers the music-licensing business ripe for the kind of streamlining his company accomplished when it started in 1995. "When we entered the photo industry, it was very similar to the music industry," he says. "It was tedious to get hold of a photo; it took a long time; choice was limited."

Getty offered clients access to fully cleared images for a flat fee, much as Pump has with music. Getty has another incentive to expand into audio. Demand and prices for high-quality images costing more than \$500 each, which accounted for about 40% of its revenue last year, have been dropping. Getty recently spent \$200 million on the parent of WireImage, the online photo agency that specializes in material like red-carpet photos of celebrities. Mr. Klein says "the high-end imagery business is not going away," although he acknowledges that Getty has recently "reached lower down in the market in terms of price points."

Mr. Klein says is still deciding whether to call his new acquisition Pump Audio by Getty Images or Getty Audio.

Pump doesn't retain exclusive rights to the music in its catalog; artists are free to pursue traditional record deals, and in theory they would be free to release their music commercially through such a deal. In the meantime, Pump General Counsel Robert B. Opatrny says, the company will continue its mission of generating alternatives to "boring stock production music where everybody's trying to sound like Moby."

<http://www.pumpaudio.com/>
<http://www.gettyimages.com>