There is an intimate relationship between the three different areas of your business that go into what I call the Power Triad: marketing, sales, and pricing. They each are interconnected with each other in such a way that it is impossible to attain a high level of success if any one of these three areas is weak. They are all connected at the hip. On that note, I would like to share something that has become very special to me; it appears at the bottom of this page.

Believe it or not, this poem was written back in the 1800s by a man named John Ruskin, and it’s as appropriate today as it was nearly two hundred years ago. My favorite line is, “There is hardly anything in the world that someone cannot make a little worse, and sell a little cheaper.”

If you are like most other professional photographers, you didn’t get into this profession because of your love of business. Little did you know, when you chose to become a professional photographer, that you would be expected to be not only a top-rate photographer (with an intimate understanding of posing, lighting, composition, Photoshop, etc.) but also a proficient salesperson, marketing and branding expert, accountant, manager—oh, and you’d have to try to figure out what to charge people for your products and services. This last task, in particular can be a very daunting task unless you have the tools to build effective, profitable, and incentive-driven price lists.

Our sense of what something is worth is not derived from its intrinsic value . . .

What Determines an Acceptable Price?
Our sense of what something is worth is not derived from its intrinsic value but from the demand that has been cre-

**Ode to Pricing**

It is unwise to pay too much, but it is worse to pay too little.  
When you pay too much you lose a little money.  
That is all.  
When you pay too little, you sometimes lose everything because the thing that you bought was Incapable of doing the thing that you bought it to do!  
The common law of business balance prohibits paying a little and getting a lot.  
It cannot be done . . .  
And if you deal with the lowest bidder, it is well to add something for the risk that you run.  
And if you do that, you will have enough to pay for something better.  
There is hardly anything in the world that someone cannot make a little worse and sell a little cheaper.  
And the people, who consider price alone, are this man’s lawful prey.
ated for that something. The basic rule of supply and demand makes something worth a higher price if that product is in demand. For example, I remember when the PT Cruiser came out a few years ago. My best friend had one on order for nearly six months because everybody wanted one. I would venture to say that he didn’t get much of a discount (if any) on his purchase. There may have even been some dealerships that were charging more than the sticker price, because they could!

The other thing that allows you to charge more is that your client wants the product emotionally. We have all heard the terrible stories of the bride who hired Uncle Bob to photograph her wedding, only to be totally disappointed in the results. The price may have been right (in many cases as a free “gift”), but the true “cost” was very high. If we only had a way of shaking that bride upside down and convincing her that her wedding deserved to be photographed by a true professional, she would have been much better off.

The key comes down to whether or not we can create value for our clients, giving them something that has perceived value and benefits their life in some way. A classic example is in the auto business. You all have seen the television commercials from car dealers that say, “Sunday! Sunday! Sunday! Noon ’til midnight! ALL CARS MUST GO! And we are prepared to sell you a car for a dollar over invoice—no tricks, no gimmicks, no kidding!”

As a potential customer, that has very little no value. At least very little perceived value. What happens after I drive the car home? What kind of service will I get?

I’d be more likely to buy if the commercial said, “Our prices are $100 more than anybody else’s, but our service is guaranteed to be 110 percent better than anybody else’s service.” Underneath that are pictures of their customers telling you why they paid an extra 100 bucks and that the service is wonderful. They would probably grab a fair share of the market, don’t you think?

Of course, not everyone will buy value; 30–40 percent of all people will buy based on price. That’s the bad news. The good news is that 60–70 percent of all people will buy value if you provide it to them.

The Power Pricing Self Test

Before we get too much farther, I want to clear the cobwebs out of your brain. We are going to start with the Power Pricing Self Test and see where you are with your understanding of pricing strategy. This will take only about five minutes, so grab a notepad and a pen, sit down in your favorite easy chair, and jot down some ideas as we go along. Here we go.

1. How do you feel about your current price list (or, as some prefer to call it, your investment sheet)?
2. Do you know your costs on each of your products and services? If so, what are they?
3. Do you offer à la carte pricing as well as packages or bundles? Whether you do or not, what were the factors that you considered when making your decision?
4. What is your mark-up factor, or how did you decide what to charge for each of your products and services?
5. How much does it cost you per month, per day, and even per hour to keep the doors open at your studio, regardless of whether or not you have any business coming through those doors?
6. Do you raise prices at least once a year to cover the additional expense of operating a business? If not, when was the last time you did change your prices?
7. Could you raise your prices 5 percent on January 1st and 5 percent on July 1st without giving your customers a heart attack?
8. Have you done a competitive analysis of other studios in your market to find out where they stand with their pricing structures? Where are you in the pricing hierarchy?

9. If you could create a life that had everything in it that your heart desires, what would that be?

10. Do you feel that your current pricing structure will allow you to get there someday?

11. What changes would have to be made in order for you to be able to attain your dreams and goals?

Well, how did you do? Many of these questions may require you to spend some time crunching numbers and doing some calculations. That’s good! Make the time to get this accomplished as soon as possible—I would recommend today. There’s no better time than right now to improve your business.

**Addressing Pricing Issues**

Your ability to handle pricing questions relies heavily on your belief in yourself and your products and services. Before you can address price issue with your clients, you need to address it with yourself. If you don’t have an unshakable faith that your products are worth the price, you will not be able to sell them. Your work may be better than your competitors, but without the skills required to be able to price and sell your work, all will be for naught.

**Three Methods of Pricing**

There are basically three different methods that photographers use in order to determine what the price should be for each of their products and services.

**Overhead (or Cost-Based) Pricing.** Using this strategy, your pricing is based on what it costs you to produce a print. This number is then multiplied by a factor in order to come up with the selling price. This multiplication factor must cover all the costs of running your business—your payroll, utilities, lease, cars, taxes, your compensation, and of course profit.

The first order of business is getting your arms around the cost of operating your studio. You must have a complete grasp of these numbers in order to be the best businessperson you can be and price your work correctly. The first expense category is your capital expenses or your investment costs, things like real estate, vehicles, equipment that your purchase, props, furniture, etc. The second category contains your general expenses, things like your pay and benefits, employee pay and benefits, lease payments, electric, phone, trash, insurance, taxes, advertising, education, bookkeeping services, etc.—things that have to be paid every month, whether you have any business or not.

The third category consists of your cost of sale (COS). This is what it actually costs you to produce a product from beginning to end. This can be tricky. If I were to ask you what it costs your studio to produce a single 8x10...
print, ready for delivery, what would you say? You can’t simply say, “Well, the lab charges me $2 for an 8x10, so if I sell it for $10 I’m making $8 in profit!” It doesn’t quite work that way. Let’s think about this question for a minute. In addition to the lab bill, there was the time that you spent talking with the client on the phone, conducting their consultation, and shooting the actual session. There was the digital media that the image was stored on (or, if you are a film shooter, the cost of the film, processing and proofing). There was also the labor and time required to manage that image from capture, to download, to editing, to backup, to selling. And let’s not forget the commissions paid to get the order, the cost of retouching and image manipulation, shipping expenses for getting that file to and from the lab, and the costs for mounting and laminating, and stamping the print. There were also costs for boxing, bagging, or framing the image, the tissue paper that goes around the print, the stickers, bows, and ribbons . . . and ultimately the delivery of that image to your client. Oh my!

Now, based on that, if I asked exactly what it costs you to produce a single 8x10 print, would you have a different answer?

If you don’t know what your cost of sales (COS) are, I want you to spend some time with your nose in your books coming up with a real number. You will also need to identify how much time you spend on each client from start to finish and you have to assign a value to that time. Yes, you heard me correctly. I said that you have to assign a value to your time. Just because you enjoy your work, doesn’t mean that you should have to do it for free. Sitting in front of the television on Saturday night after you get home from a wedding while you download and edit your images is not time off. You may think, “Oh, this doesn’t really count because I’m sitting here laughing at Saturday Night Live.” I hate to tell you, but that time has to be accounted for.

The industry standard ratios for COS in today’s market are as follows:

- 10-20 percent for a high-end boutique studio
- 30 percent for a home studio or residential gallery
- 40–50 percent for a retail studio that has high volume and lower pricing

So if you have a residential gallery and are working with a 30 percent COS, of every dollar you bring in, about .30 cents should go toward producing the end product. There’s some wiggle room here, of course. I’ve seen studios that have their COS down to around 10 percent, and I have also seen other studios that do very well with a COS up around 50 percent. If a studio has their COS down in the low double digits (meaning only about ten

A simple table display might be an attractive addition to your studio’s decor. Images by Christa Hoffarth.
percent of each dollar goes toward producing the product), it is more than likely what we would call a “boutique” studio—one that focuses on providing a true experience to their clients. This allows them to mark their products up substantially. Studios that are located in a mall or other high-traffic area tend to provide a low-cost product with less refined and personalized service. This means they cannot mark up their products as substantially, so they focus on volume. A typical COS for this kind of business is anywhere from 40–50 percent.

**Just because you enjoy your work, doesn’t mean that you should have to do it for free.**

So, if the COS accounts for only a small percentage of the actual price of the product, where does the rest of the money go? Well, after the COS is subtracted from the selling price, that leaves you with what we call margin contribution or gross profit. That is the amount that is used to pay the overhead (the investment costs and general expenses discussed on page 117–18). Whatever is left over is, of course, your profit. Let’s say you have a COS of 30 percent. That will leave you 70 percent of every dollar coming in to cover your overhead and your profit. When it comes to profit, a good goal for at the end of the year is at least 10 percent. This is how you grow your business, afford new equipment, and give yourself a nice raise. And wouldn’t that be nice?

Some of you will get to the end of this exercise and realize, for example, that your COS on an 8x10 is $40 but you have them priced at $35. That mean that if someone comes in and orders only one 8x10 you will lose money. If you have a rock-solid sales system in place at your studio, the one 8x10 order will probably never happen, but your à la carte pricing should take this into consideration.

So how do you determine the right selling price for your products? Let’s say you have a COS of 30 percent, and you sell your à la carte 8x10s for $100. If you divide 100 by 30, you come up with a factor of 3.3, which is what we call your markup factor.

If you have a 20 percent COS, then your mark-up factor would be 5 (20 into 100).

If you have a 40 percent COS, your mark-up factor would be 2.5 (40 into 100)

If you have a 50 percent COS, your mark-up factor would be 2.0 (50 into 100)

Get it, got it? Good. This is not graduate-level trigonometry, but it’s important you understand this concept. So, if your markup factor is 3.0, you multiply your COS by 3.0 to come up with your selling price. For example, if your 8x10s have a COS of $40, multiplying that by 3.0 gives you a selling price of $120. For some of you, that may be way out of whack with what your market will bear, so let’s see if there is any other way for us to come up with a different selling price.

**Factor in Your Time**

With digital now part of our everyday lives, we now have a new item that we must figure into our calculations: time. This is the biggest mistake I see photographers make all over the world: they don’t put any value on their time and don’t incorporate their time into any pricing calculations. How much is your time worth? Remember, customers need to pay for your expertise, knowledge, and experience, not just your products.

Let me take it a step further. If you were to hire someone full-time to be your “digital” guy or gal, how much would you pay them to handle all of your editing, workflow, retouching, artwork, and uploading? $10 per hour? $15? $20? $25? Are you willing to work for that? Actually, most photographers must be, because that’s exactly what they are doing.

I do understand that if you are the only staff in your studio, it may be difficult to justify hiring someone. It probably seems much easier to just handle the work yourself. But what is the real cost of that time you are giving up? Has anything suffered because you now find yourself glued to the computer twenty-five hours a week? Are you noticing that your list of hobbies has been reduced to watching the FTP status bar as your order is being uploaded?

There may not be a short-term answer for this, but I want you to at least spend some time really thinking about this question. In fact, there is someone out there right now that can do just about all of this for you. They don’t need any training and they can start today. This person is called your lab! Give them a call and talk with them about how they can help you. You may be pleasantly surprised.
What if we used a session fee in our calculations? The print costs us $40 and we have a 3.0 markup factor, giving us a selling price of $120. But we have also collected, say, a $50 session fee. If we subtract that $50 from the $120, that leaves us with a new selling price of $70. Is that more in line with what your market would be able to bear? Remember, these are only example prices I am using here, so you have to use real numbers from your studio in order to come up with the right data.

Packages (volume sales) can also come into play in these calculations. That first unit sold bears the biggest burden of cost (we have to capture all of our expenses in that first unit). But how much does the second identical 8x10 cost? You have the actual cost of the print, a little bit of labor to get it ready for delivery, and you have some packaging materials—let’s say $5. That’s it! The rest of the costs associated with that print have already been captured in the sale of the first 8x10.

Now, for the two 8x10s you have a COS of $45, the original $40 from the first 8x10 and the $5 for the second 8x10. Are you starting to see the picture a little clearer now? There is much more profit on that second 8x10 (or the third or the twentieth). This is why packaging or bundling can be so successful if done correctly, and we will talk about that a little later.

So, the cost-based pricing model basically says that once you figure out what it costs you to produce a print, you multiply that number by a predetermined factor to come up with a suggested selling price for an item.

The biggest problem with this type of pricing is that it does not effectively maximize your profits or take anything else into account other than what it costs you to do business. However, it’s where you have to start. The value you determine using this method is basically the lowest price that you will sell an item for.

**Competitive-Based Pricing.** Unlike cost-based pricing, competition-based pricing takes into account what your competitors are doing with their pricing strategies.

As you are very well aware, some products are more price sensitive than others, so you must be aware of what
is going on in your marketplace. I’m going to ask you the price of some everyday items and I want you to come up with the price. Ready?

1. A gallon of milk
2. A pack of gum
3. A gallon of gas
4. A new digital camera
5. A can of pumpkin pie filling
6. A soda
7. A movie ticket
8. A car wash
9. A Japanese dwarf maple tree
10. An all-you-can-eat buffet
11. A gallon of bleach
12. A drive-through combo meal
13. A pound of morel mushrooms
14. A nice bottle of wine on Friday night
15. A hanging plant basket
16. A desktop computer
17. A Lamborghini sports car
18. A box of Kleenex
19. A ream of printing paper
20. An electric dog fence

Most of these items probably assigned a value instantly in your brain. Other items—like a can of pumpkin pie filling, or the Japanese maple, or the Lamborghini, or the electric dog fence—may have stumped you just a bit.

If you were to go into five different grocery stores to compare the price of a gallon of milk, they would all be within a fairly tight range. You probably wouldn’t find one store that charged $1 and another that charged $100, would you? Same with a gallon of gas, or a car wash, or anything that is considered a commodity. The prices must be perceived as at least being in the ballpark or, as consumers, we close our minds. If the local gas station was charging $45 for a gallon of gas, would we even think about stopping in? I don’t think so.

What items in the photography industry are considered “commodities” and need to be at least perceived as being in the ballpark for competitive reasons? How about sessions? Or 8x10s? Or wallets? Or the price of your entry-level package? In looking at your pricing from a competitive standpoint, you need to be aware of what your potential clients will gauge your worthiness on—how they will determine whether or not you are in the ballpark. So wouldn’t it make sense to make sure that your pricing, or at least the perception of your pricing, was viewed as being competitive?

You may actually be the most expensive studio in town because of all the little things you do to add perceived value and to provide your client with a luxury experience, but the way your pricing is presented must still show your client that you are in the ballpark.

Should I Put My Prices on My Web Site?
Should I Hand Them Out?

That’s a great question and causes many photographers quite a bit of grief. My view of web sites is that they should exist to create excitement for your photography and to entice a prospect to either send you an e-mail—or better yet, pick up the phone and give you a call. The job of your web site is not to sell, which is what you are doing when you post your prices on the Internet. A web site can’t build a relationship, create a rapport, or even ask questions. That all must be done by the human element. However, the sales process can be made easier by a professionally designed web site that has good content and helps educate the client. As a professional photographer, though, you cannot sell anything from your web site.

Now, if you would like to post ranges, that is perfectly fine—but remember that you don’t want your web site to be your “screener.” It should not decide who gets in and who doesn’t. That should be up to you or someone on your staff. If you are a few dollars more than the other studios in town, posting those prices on the web will definitely not be a good idea; you won’t be able to show people why you are a few dollars more, or why you would be the perfect photographer for them.

The exceptions to this are for things such as photographing school dances, or sports teams, or when you want to advertise certain special promotions. Other than that, your regular bread-and-butter pricing should always be given out by a warm-blooded human being.

Once you have established a connection with a good prospective client on the phone—and once you have established your value to them—you can make an educated decision about whether or not you want to send them something in the mail. The best solution, of course, is to have them come into your studio, but we all know that sometimes that just isn’t possible. Just use your best judgment.
Lifestyle (or Demand-Based) Pricing. Lifestyle or demand-based pricing is perhaps the most important element to consider when determining prices. It’s a combination of everything you have ever done to create a high perceived value for your products and services with the lifestyle you want for yourself and your family—the car you want to drive, the home you want to live in, where you want to go on your vacations, the toys you want to own, the type of clothes you want to wear, the hobbies you want to enjoy. All of these things must be determined before you can decide on what price to charge, since the money that you bring in to your studio is directly related to what dreams you have in your life.

So, how much will your market bear? Unfortunately, I don’t know that answer. That’s something only you can determine.

What’s Best?
Have you been able to figure out which method would be best for your business? Actually, the best method to use is a combination of all three.

First, figure out what it costs you to open your doors in the morning, what it costs you to produce your products, and then assign a markup factor to come up with a price for each product. This is the absolute *lowest* that your pricing can be, unless you plan on losing money and not being around in a year to answer your phones. Then, do a competitive analysis to see where you are compared to the other players in your market. Finally, determine what kind of demand there is for your products and services and what lifestyle choices you have made for yourself and your family. Put all three sets of data together and you will be able to come up with a pricing structure that is both profitable and well thought out.

In previous chapters, we looked extensively at how to create value for your products and services, how to position those products in the mind of your perfect client, how to build a positive image in your community, and how to create a sales atmosphere that compels clients to invest more money with you. All of these things must go into your calculations, as well. The goal is to create a high level of desire long before you talk about price. It’s like building a house—the foundation must be poured before you can put up the walls, or the windows, or the big-screen television.

For some of you, that may be way out of whack with what your market will bear.

Again: marketing, selling, and pricing are all connected at the hip and create the Power Triad.

Will your method of doing business appeal to everybody? Of course not! Are there people in the world who will always be looking for ways to get things on the cheap? You bet! They are the kind of people who will go to Sears and buy their own oil filter, then go to Wal-Mart for the oil, because it’s on special. Then, convinced they have saved seven whole dollars, happily crawl under the car to change the oil and filter themselves. This person may get their oil change for less, but they’ll spend three hours doing it. The price may have been right, but the cost was very high indeed.

Cheap things are not good and good things are not cheap.
Mitche: What would you say was the biggest change that faces our industry?

Michael: The major thing is providing a product and service that consumers cannot create for themselves. We no longer have the magic hand—there are kids out there who understand Photoshop very well, and consumer cameras provide some pretty good images. I think that for the industry to survive as we know it, we will have to provide an exceptional product and service.

What kind of products?
The photo book is going to be very big; it is here to stay and grow. The pre-pressed products are also emerging—calendars and personalized products with your work displayed and personal data displayed can be produced fairly economically. This is not something that is going to go away. These products will help out tremendously.

If you were to wrap up your marketing philosophy, into a nice little package, how would you describe it? Personally, our philosophy is to educate our customers, by moving up the food chain rather than down the food chain. If you go down, the only difference is price, whereas going up there are a lot of perceived differences. At NuLab, we work very closely with our clients and I consider them my focus. We help them by educating them on sales, marketing, product development, and technical support. The last two years we have worked on providing them with work recognitions for the customers.

I have been photographing professionally for over thirty years in the portrait/wedding industry. I was the photographer who arrived in a Fiero or Porsche with two assistants. It was a choreographed performance. We charged accordingly and the studio was ahead of its time.

It all started with my education—I started right out of high school. I was overseas for ten years and spent all my money on education. I was lucky to meet people who changed my outlook on photography. I studied with Monte Zucker and spent some time shooting weddings with Rocky Gunn. Frank Cricchio, Don Blair, and Phil Charis all taught me the value and worth of photography.

I operated several studios in Australia until around 1989. In 1990, I started developing a market in Asia, which was mainly in portraits. I spent all day photographing the rich and famous. With the average wedding budget about $150,000US, it was easy to make lots of money. We did that until I decided I didn’t want to travel anymore—plus my kids wanted to see their dad more often.

What do you see happening in our industry today?
It’s all about automation today. The companies that can automate and stay ahead of their competition will be the ones that will survive. It’s also about education, and we provide a tremendous amount to our customers. The more we can help them, the better they will do, which means the better we will do. It’s all part of the same game.

For a new person in the industry, what are the most important things you can recommend to them?
First of all, you have to have some skill sets in sales and marketing. Photography is secondary. I have seen people all around the world who were average photographers but had great sales and marketing skills and did very well. On the other hand I have met some exceptional photogra-
phers who are broke. The key is to understand what the client wants and then figure out a way to give it to them.

**What do you see as the future of photography?**
The problem with that is that the consumer can take the same photographs as we do because it doesn’t take a lot of skill to follow someone and take thousands of pictures and have a few reasonable photographs. The ones that will make it are the ones who understand lighting control, both indoors and outdoors, and the art of good posing. This is something that the “happy-snapper” can’t produce.

**Can you learn how to be a Power Marketer?**
Yes, but it helps if you already have the right set of skills. You need to like people and be able to get along with many different types of clients. It’s easy to teach the technical aspects of sales and marketing, but you have to start with the personality and build from there. If you don’t like talking to people, it’s very tough. If you don’t like people, then hire someone who does.

**Tell me about your family.**
I’ve been married for over thirty years to the love of my life, Barb. I have two kids who grew up around the studio. We traveled all over the world—a month in Australia, a month in the Philippines, a month in Australia, a month in Borneo, etc. After doing this for a long time, we wanted to just be back in Australia and tried to retire. That lasted an entire three days! I didn’t know what to do. I was sitting on a beach in Borneo one time, just itching and wanting to get back to work—new products, new promotions . . . my mind wouldn’t shut down.

**How do you balance the professional and personal?**
I think in my case my personal and professional lives are intermingled. I’m a socializer. I love people, I love to travel, I love good food and good wine. I also love running workshops for our customers, which is part of the marketing strategy for our lab. You can’t help but get the two lives mixed up with each other.

**How many days a week do you work?**
On average, probably a little bit every day. I might go to work and spend ten hours, or go to work and spend two hours then go for a drive and lunch with friends. I’m a car fanatic. I use to race cars when I was young and restless, but now I’m a bit more mature. One of my great joys is to take my car and go driving with my wife or son, and sometimes I will even rent a race course and go driving on weekends.

**What other kind of hobbies do you have?**
I like to sit by the pool and read, and listen to good music. I used to play jazz in Latin America, so I’m particularly fond of the bossa nova, rumba, samba, and salsa. I could be sitting there drinking a nice glass of wine, or a single-malt, which I have been known to enjoy, and listening to good music.

**Who are your biggest inspirations?**
The people who probably influenced me the most were Monty Zucker, Frank Cricchio and people like that. Photographers like that allowed me to separate myself from the masses. From the business world, people like Richard Branson and Lee Iacocca from Chrysler. Even Richard Miller from Miller’s Lab in the states taught me quite a bit about running a successful lab in today’s competitive environment. I’m always open to suggestions and I’m not afraid of change. If someone can show me a better way of doing something, I will change. Many photographers today don’t want to change with the times, and are afraid of change. Those are the ones who will go out of business.

**What do you think is the biggest reason for failure among photographers starting out today?**
The biggest key to success is perseverance, so the biggest key to failure in not trying hard or long enough. Keep trying until you get it right!

**Do you still feel like there is money to be made in professional photography?**
There’s a load of money to be made! It all has to do with being able to understand what the customer wants, and then providing it to them. If you want to be in this industry, your main job is to get bums in seats for the rest of your life. That’s all there is to it!