

# 13. The Myths and Realities of Pricing

**D**o you believe in the Loch Ness monster? What about Bigfoot? Or UFOs? Or how about this one: you can eat everything you want, as much as you want, and still lose weight? These are some pretty good myths that have been perpetuated for quite some time—and it seems as though there will always be a group of people who will buy into them. Well, there are also some pricing myths that I would like to dispel once and for all.

## **Myth #1: People Buy Because of Price**

*Wrong!* If you insist on selling based on price, your customers will buy because of price. Sure, price is important, but it doesn't have to be *as* important as a lot of other factors—that is, unless *you* believe in this price myth. There have been many studies over the years, and price usually comes in fifth as far as the reason that people make purchasing decisions. Other factors like quality, experience, level of service, and referral usually place higher than price on the importance scale.

## **Myth #2: Lower is Better**

Let's talk in broad terms about the impediment of discounting. Let's imagine there are 100 units of a product that you sell in your studio. If you give a 10 percent discount on these, you would actually need to sell 11 additional units to make the same amount of money as selling 100 at full price. At a 15 percent discount, you'd need to sell 118 units. You'll have to do more work to earn the same amount and you actually make less, on a percentage basis, because you have more time and overhead invested.

On the other hand, if you add 10 percent to your prices, which you should be doing once a year anyway, you only have to sell 91 units to generate the same revenues. Add 15 percent and you're down to 87 units.

The point is that your customers may not be as price sensitive as you fear they are. They may tolerate a price in-

crease much better than you think. Additionally, they may not even respond to a decrease in price as enthusiastically as you need them to in order for that decrease to be profitable for you.

## **Myth #3: Price is What Matters**

When we think about how to price our work, we assume that our focus should be on the price. But there are many other factors that go into determining profits and cash flow, as I have mentioned. Price will only matter if you allow it to matter. Don't fall into this death trap! You need to charge what you think you are worth. An increase in price will increase a prospect's perception of you; a de-

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crease in price will decrease the perceived value. Many people assume that price equates to quality, which means they won't buy your products unless your price is *high* enough. You may remember the story about a riding lawn mower that I tried to sell several years ago (see page 34). In my initial ad, I set the price so low that people figured there must have been something wrong with it. As a result, I didn't get a single call. When I raised the price to \$200, on the other hand, I sold it instantly.

## **Factors That Really Do Effect Pricing**

There are several major factors that will affect your ability to have a successful pricing strategy in today's competitive marketplace. These include the quality of your photography, the branding and marketing that you are currently doing (or not doing), having a highly defined

## Portrait Packages

(Two poses per Portrait collection)

Lifetime collection : 842  
(save \$207)

→ 50x75 cm ±

A framed 20x30 canvas in a 5000 series

frame with a lifetime guarantee on the portrait.

6 · 8x10's = 20x25 cm

6 · 5x7's - 13x18

48 · Wallets

With the purchase of this package you will receive a  
free 5'x4' fleece throw- value \$75.00

Prestige collection : 512  
(save \$100)

40x50 cm

A framed 16x20 canvas in a 5000 series

frame with a lifetime guarantee on the portrait.

4 · 8x10's

4 · 5x7's

32 · Wallets

## Portrait Packages

(Two poses per portrait collection)

Memories collection : 322  
(Save \$40)

40x50 cm 16x20 canvas

2 · 8x10's

2 · 5x7's

32 · wallets

Traditional collection : 215  
(save \$41)

± 28x35 cm

11x14 canvas

2 · 8x10's

2 · 5x7's

24 · wallets

In Chatsworth Portrait Studio's price list, the portrait packages are clearly explained and there is a nice range of price points.

sales system that begins the very first second someone is exposed to your business and continues long after your clients order is picked up, having a complete understanding of your competitors' strengths and weaknesses, and having an unequivocal belief in yourself and your ability as a modern-day entrepreneur.

Price is where you get what is yours, where all those wonderful things you do for your customers is suppose to be reciprocated. When it comes to pricing, you have to be sure that your studio gets what it deserves—and nobody will pay you more than what you ask for, so be careful not to under price yourself.

So, how can you tell if you have poor pricing? If you constantly find yourself having to explain your price list, or if the price always seems to be an issue, or if you are always changing your prices, or—here's the big one—you always

seem to be busy but you don't have anything to show for it . . . those are all bad signs. If this sounds like you, it may be time for a price list makeover.

Something that will help you with some of these issues is to work on your image through marketing materials, refining your sales skills and techniques, and most importantly by putting more emphasis on building relationships with your clients. This will lead to a decrease of price sensitivity all by itself. The stronger your relationship with your client, the less important price becomes. This is the magic carpet that will take you to where you want to be.

Learn to answer the pricing questions confidently and professionally. If you educate your clients, price is rarely an issue.

Some other things that will affect your ability to charge what you are worth are having an identifiable style, hav-

## Portrait Packages

(Two poses per portrait collection).

Basic Collection: **150**  
(save \$22)

2 - 8x10's  
4 - 5x7's  
16 - wallets

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### Add on Packages

(With purchase of portrait collection only)

Legacy Collection: **192**  
(save \$80)

4 - 8x10's  
4 - 5x7's  
32 - wallets

Deluxe Collection: **122**  
(save \$32)

2 - 8x10's  
2 - 5x7's  
24 - wallets

## Portrait Pricing

Pricing is for Color, Black and White or sepia.

4x6 .....	12
5x7 .....	18
Set of 8 wallets .....	18
8x10 .....	32
11x14 .....	65
16x20 .....	150

### Canvas Mounted on Masonite

11x14 .....	120
16x20 .....	190
20x30 .....	310
30x40 .....	430
40x60 .....	650

*Basic retouching is included on all portraits purchased.*

In Chatsworth Portrait Studio's price list, add-ons and à la carte items are clearly and attractively presented.

ing a wonderful atmosphere in your studio, your personal appearance and your professionalism, your ethics and business integrity, the presentation of your products, your customer service, your reputation, and your ability to build friendships with people.

### **Building an Effective Price List**

What does your price list alone communicate about the value of your work or about your business? Is your pricing clear, concise, and easy to understand? When someone looks at your price list, does it make their head explode with confusion?

There are some simple-to-implement techniques that will help to make your price list a much more effective sales tool—and that will, in turn, increase your sales averages substantially.

**Research Other Photographers in Your Marketplace.** You don't need to reinvent the wheel. There are plenty of great price lists already in the market, you just need to get your hands on them. It may be as simple as picking up the phone, calling some other photographers in the area, and saying that you want to get everyone together for a planning session. Have everyone bring their price list, some marketing materials, and a business card. There really isn't any secret way of making money in our industry. The more we can share with other photographers, the better we can become. If this idea doesn't appeal to you, how about calling some of your photography friends from outside of your area and asking them to do an exchange with you.

The purpose of this is *not* so you can copy the prices, but rather so you can get ideas for graphic design, layout,

creative ways to bundle your prints together, or unique products that you can offer to your clients. It's part of the creative process.

**Find the Best Paper Money Can Buy.** The paper that your price list is printed on speaks volumes about the quality and value of your work, so don't cut corners with this part of your business. Once you have made that initial impression on someone, it's virtually impossible to change it, so do it right from the beginning. So, go down to your local print shop (not one of the chain office supply stores, but a regular old commercial printing shop). Ask to see their best line of papers. For prices that you present to your clients when they arrive for their sales and ordering session, how about placing them in a nice leather folio—like the wine list that you would get at an elegant restaurant. Talk about making a great impression!

## If you insist on selling based on price, your customers will buy because of price.

**Keep your À La Carte Pricing High.** This will create value for your packages, bundles, or collections. We will talk about how to build packages a little later on, but putting a group of products together for your clients to purchase is a good thing. After all, the more decisions you ask your clients to make during the sales process, the more difficult it will be at the end when it comes time for the most important decision: how much to spend. The easier you can make it on your client, the higher your sales averages will be and the happier they will be.

**Feature a “Most Popular” and a “Best Value” Collection.** The reason for this is very simple. Human nature says that people like to belong to a group and feel safe when we know that others are doing the same thing as us. Even if you don't have a most popular package, make one up. Before long, it will become your most popular simply via the power of suggestion. Obviously, the package with the highest price will also be the one that has the best value because of all the savings that have been built in. Make sure to point out this fact right on your price list. If they believe in it, they will buy it!

How do you determine which package should be your “most popular?” Here's a cool little technique. Once you have determined what your averages are for each type of client—wedding, family, children, senior—your most popular package should be at a level that is higher than your average. For example, you have an average of \$410 on your children's portraits. I would recommend having your “most popular” package at \$499–\$599. Then, everything you do should be with that package in mind. This will bring your averages up by nearly 20 percent and will give your client a great value at the same time. If your averages are higher or lower than this, you will have to adjust accordingly, but I think you understand the concept.

**Have a Whopper Package on Every Price List.** What is a “whopper package” you ask? It's something that appears to be so incredibly expensive that nobody in their right mind would ever invest in it. It's a package that has everything, including the kitchen sink. The purpose of a whopper? To make the other packages look and feel better. It's there only to create value for the other packages. A little later on there will be an exercise that will help you generate some ideas on what you could include in a whopper package.

**Discount Your Session Fees, Never Your Prices.** When you discount your print prices, you lower the perceived value of your work, which can have a long term effect on your ability to charge what you are worth. Photographers have, for a long time, used their session fees as a tool to get more clients in the door, and to keep current clients coming back more often. Giving something away for free is *always* better than giving someone a discount. Add value, but don't discount.

**Close the Gap with Your Pricing.** There is no way that a 5x7 should be half the price of an 8x10, or a 4x5 half the price of a 5x7. You spend the exact same amount of time and resources on the smaller print sizes. In fact, the only difference is that they get printed on a smaller piece of paper, which is the least expensive part of the entire process. Your pricing for your 4x5s, 5x7s, and 8x10s should be fairly close together, if not exactly the same. It's very easy to tell a customer that your price for a gift portrait is X, and they can select any size that meets their specific needs. Regardless of whether that need requires an 8x10, a 5x7, or a 4x5.



Sarah Petty's price list is simple and beautifully designed.

**Eliminate the Second Print Discounts.** I have seen many studios that offer discounted pricing if a client orders more than one of the same image. Don't do this—that's what offering packages is for! If they want to save some money on their portrait package, show them the value that each of your packages offers, but don't offer to discount your à la carte prices. It will only cheapen your pricing integrity.

**Pricing Strategies**

When I go to one of the big retail malls in my area, there are a few stores that I love to visit. One is Bath and Body Works, because it seems they always have some incredible deals on their products—and the deal is always the same. For many years, it was buy three get one free. Even if you planned on only purchasing a single item when you went in, you rarely could get out of there without stepping up and buying two more so you could get the fourth at no charge. In fact, 84 percent of all shoppers at Bath and Body Works end up purchasing three to get one free. Isn't that incredible? The last time I was in there, the deal had been changed to a buy two, get one free—and I bet this strategy will be even *more* successful!

Victoria's Secret is another store that does an incredible job of packaging and bundling. A couple of years ago, I took one of my workshop classes to the mall so they could see how the big boys do things, and we stood there and witnessed a magical moment. A woman had taken one pair of panties up to the cash register to purchase. There,

she was greeted by a friendly sales associate who enthusiastically supported the lady's choice of style and color. She then said the following, "If you purchase one pair, they are \$7, or you can get five pairs for only \$5 each." They lady almost jumped out of her dress as she quickly rushed to select four more pairs so she could get them for only \$5 each. When she was ready to check out, the sales associate then said, "If you would like to open a Victoria's Secret charge account today, I can give you 90 days to make your first payment, no interest for a year, plus give you a \$25 gift card. Are you interested in signing up today?" Well by now, the lady thought she had won the lottery and happily filled out the application, received her \$25 gift card, and went back into the aisles to pick up several other items. By the time she was done, she had spent over \$200 and walked out as happy as a spring chicken. She had originally planned on spending \$7.

There are also companies like Amazon.com that will pay freight when you order \$25 worth of books. And guess what? Most books are less than \$25, which means you need to buy a second book in order to get the free freight—which is exactly that the majority of people will do. The same things happens when you are in the airport terminal and want to buy a pair of sunglasses. You can buy one pair for \$12, or two pairs for \$20. It works, or they wouldn't do it!

It just goes to show, you can make people buy what *you* want them to buy if you can make the alternative unattractive! This, my friend, is exactly why you should offer

Chatsworth Portrait Studio Inc.  
88 Northbank Dr. Chatsworth Co. 30705

706.695.1501

*The time has come again...*

*This year Chatsworth Portrait Studio is proud to be donating a percentage from each session to Operation Smile. A non-profit organization that funds operations for children with facial deformities. Help a less fortunate child and create an unforgettable memory.*

*Give the gift of family portraits...*

*Brendt Parker*  
Photographic Artist/Owner

*Schedule by August 30th  
and receive 10% off your order.*

*John Waldron*  
Photographic Artist/Designer

*October 28th - November 1st*

*Limited sessions available. Schedule your session today!*

A percent-off discount for booking by a certain date can motivate customers to pick up the phone.

packages in addition to your à la carte images. This is the subject of the next chapter.

### **Special Offers**

To discount or not to discount? That is the question. When you offer some sort of special at your studio, what are the main reasons for doing so? Usually it because you want to:

1. Counteract something that one of your competitors is doing.
2. Experiment with the price of a product in order to find out where your customers' price sensitivity is.
3. Introduce a new product that you expect clients, once they experience it, will continue to want at full price.

There is a problem with this sort of mentality. If you get too focused on offering slashed prices and special offers,

you can flood your customers with price-based promotions. This can eventually outweigh all the brand building you do. It can increase your customers' price sensitivity and attract price switchers, people who are not really loyal to any brand. Over time, this can reduce your loyal customer base and increase your fringe customers. What does all this mean? It means that special offers have the potential to erode brand equity, reduce customer loyalty, and cut your profits. It's a very slippery slope, and losing your footing is easy to do, *unless* you have an intimate understanding of the global picture.

How much of a deal should you offer? The answer depends on how much attention you want. Most offers in our industry fail to motivate customers to buy because the offer does not appear to have what is probably the most important element to having success: it must be totally irresistible!

**Mitche:** What do you feel is the biggest challenge facing the industry?

**Bill:** I don't see as many challenges as I do opportunities. I hate to use the cliché "the digital revolution," but it made a huge difference in terms of how people see the world and consequently how they take pictures—on every level, amateur and professional. In terms of professionals, it has made a huge difference in the potential creativity and I think that converts into dollars and cents in the long run. In terms of obstacles, I see fewer obstacles than challenges. I think that is going to continue until the day that video starts to override still photography.

**How do you see it changing?**

HD Video is a very basic prosumer camera and very affordable. You can cut a high resolution 7x10 still from an HD video, so this is just the beginning of that technology. Provided it is lit and composed correctly, you will be able to pull a nice quality still out of video, which will have a remarkable impact on the world of still photography.

**Do you see a there being some resistance to that transition just like there was for the digital?**

Yes, maybe even more so. The still guys don't like being on the same bus as the video guys. The feeling is mutual. The technology is going to be the overriding factor here. I think it is coming and it is not that far off.

**What is *Rangefinder's* marketing philosophy?**

In a strange way it is kind of like a small company. We have 60,000 readers that you might think of as our clients, and we do try to take care of them, respond to them, and give them what they want out of a good magazine. And we maintain them in terms of our circulation program, which in this day and age is tougher and tougher to do—but that is one of the things that we do and that is why we have been in business for over fifty years.

**Everything you do in life, everything you have, what are the most important things to you and how does marketing for the company you work for play into the priorities that you have?**

I tell my kids this all the time: a job is a job, but a profession means that you love what you do. If you are good at

## Power Corner

Focus on . . .

**Bill Hurter**



*Bill Hurter has been involved in the photographic industry for the past thirty years. He is the former editor of Petersen's PhotoGraphic magazine and currently the editor of both AfterCapture and Rangefinder magazines. He has authored over thirty books on photography and hundreds of articles on photography and*

*photographic technique. He is a graduate of American University and Brooks Institute of Photography, from which he holds a BFA and Honorary Masters of Science and Masters of Fine Art degrees. He is currently a member of the Brooks Board of Governors. Early in his career, he covered Capital Hill during the Watergate Hearings and worked for three seasons as a stringer for the L.A. Dodgers. He is married and lives in West Covina, CA.*

it, and you are intent on getting better at it, there is no greater joy. Family, of course, is obviously important and financial rewards and so forth, but the biggest thing—and I think the reason that so many people in the business live so long—is that they are passionate about what they do.

**How do you balance your personal life with your professional life?**

It helps to be married to someone who likes to work all the time, too.

**What common threads do you see that attaches top level marketers together?**

Oddly enough, this year I have noticed that the successful marketers have a kind of built-in "give back" clause. Just this year, Tero Sade from Tasmania told me that half of his sales go to the Make-A-Wish Foundation—the booking fee and the shooting fee go to Make-A-Wish

Foundation and he charges for only the prints. So if you look at it, it is kind of a silver-lined mouse trap; it's beautiful in terms of its marketing simplicity, yet he really is a believer that you have to give back. I have noticed this so many times. Kathleen and Jeff Hawkins, Jeff Lubin—they have all built a charitable wing or platform into their business. I think that this actually makes people better human beings, but it also aids in their marketing programs because, honestly, people like to do business with people who are thoughtful and caring about other people.

**Tell me about your background.**

I grew up in New Jersey, I went to school in Wake Forest in North Carolina and ending up graduating from Amer-

## I don't think enough people stretch themselves creatively to reach that next level.

ican University and worked for a news agency. I had a White House pass, a Senate pass—and this was during the Watergate era, so I got to know a lot of the notables on Capital Hill. It was a fun job, but I wasn't learning anything about lighting and color, so I went to Brooks for the full program.

**What would you tell someone who is starting out?**

One of the things that people who are starting out do is imitate someone else. You see a lot of successful imitators. What you don't see is the second tier, after they have discovered who they are. I don't think enough people stretch themselves creatively to reach that next level. I think that education and the application of that education is an important tool. I am a big believer in reinventing yourself, finding new outlooks to keep it fresh.

**Has *Rangefinder* become a designer brand?**

It appeals to the younger photographers, the ones that are eager to learn. That is a large part of our appeal. We have to walk both sides of the bridge, though, because a lot of our readers are older and have subscribed to us for thirty or more years. We have to honor the traditions as well as

being cutting edge. With *AfterCapture* we can be more on the edge of things—technology and imaging.

**What has been the most successful marketing campaign that you have ever seen in the industry?**

Among photographers, one of the things that has been extremely successful is teaching other photographers. It doesn't have an immediate effect on dollars and cents income, but what it does have is an elevating effect on their careers. Mentor-type photographers are more in demand.

**Where do you see the trends headed in the future?**

I think since 9/11, family has become huge—family photography and seniors, relishing the time in a kid's life that just won't exist in five years. That has gotten huge. Weddings are going to continue to grow, but I don't know if the budgets are going to continue increase like they have. There is so much competition. Right now, they seem to be holding their own.

**When you're not working, what do you do for fun?**

I take pictures. Whatever strikes me. My daughter was telling me about some bridges down in Long Beach, so we went out about a month ago and just drove under all these amazing bridges in her VW convertible. I enjoyed shooting them with the 10.5mm. It is pure enjoyment.

**Who is your biggest inspiration?**

Within the business I would say a couple of people. Paul Farber at Petersen's was huge in terms of getting me to understand the importance of what I was doing. He was an editor and publisher. He was brilliant and I loved working for him. And Emmerit Lawson, who was the head of the portrait department at Brooks. He wasn't about formulas, he was about learning life from the inside.

**Final thoughts?**

The industry is healthy. The way I can tell that is because there are a lot of great young minds coming into the business. Also, there are a lot of new companies emerging to meet the demands of the new technology. These are startup companies forged on good ideas and fortitude.