
Your Bottom Line

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Rent: How much is too much?

Professional photographers often view studio rent as a deep chasm through which the lifeblood of their businesses is drained. As a result, many studio owners pay minimal rent by opening businesses in their homes or low-cost areas far from the main flow of commercial traffic.

Although photographers' homes are excellent locations for certain specialty studios, they may be ineffective for other photography businesses. A company ensconced in a popular site is perceived more favorably than one located in a less fashionable environment. Just as people are judged by their attractiveness and perceived value of their surroundings, stores also are ranked by appearance—in which location plays a key role.

Survey your community and outlying areas to discover where thriving retail businesses are established. Most likely, they are housed in major indoor and outdoor shopping malls—where the vast majority of consumers trades. Mall facilities have an advantage over other sites because people will travel long distances to purchase goods in a convenient, one-stop shopping center. Also, the public views mall stores as strong operations.

Businesses situated in less vital, undesirable areas, such as old, downtown sections of the community, are discount operations, small mom-and-pop enterprises, and low-volume specialty stores that may barely break even.

The few photography studios located in high-traffic shopping centers are national chain businesses. Why do independent studio owners fail to rent prime retail space? Is it because photography sales can't cover upper-end rents charged in malls? Or because professional image-makers traditionally avoid high-traffic areas?

I believe photography sales can generate income required for high-rent locations. In fact, many successful businesses situated in shopping centers work on a lower profit margin than typical studios. Although clothing retailers, for instance, may have a 100 to 200 percent merchan-

dise markup, they stock a huge inventory and have to sell a sizable percentage of goods at sale prices near or below cost. Most professional photography studios have a much higher product markup, stock fewer items, and seldom offer sales. However, clothing stores have one characteristic photography studios may lack—volume.

Traditionally, independent professional photographers strived to own low-volume studios and increase profits by maintaining overhead at rock bottom. Although the technique is successful for many operations, it also leaves low-volume businesses vulnerable to "high-rolling" newcomers who set up studios in choice locations. Customer loyalty can vanish as clients flock to newer, more convenient, and perhaps flashier studios—even if the new arrival's product is not superior.

Before you decide mall space is beyond your financial grasp, evaluate the cost of these locations. Rent is negotiable and can depend on the store location within the center. Also, many malls offer special lease rates or terms. For example, rent can be apportioned on a sliding scale, with lower payments during the studio's start-up years and higher expenditures for the contract's latter years.

Although some shopping center proprietors charge a yearly rent of \$75 per square foot—a near impossible figure to pay—other quality sites are in the \$20 to \$50 per square foot range. This price is more reasonable, especially if you consider mall management companies often produce advertisements and promotions to generate customer traffic.

Studios established in shopping centers also receive "automatic" advertising because thousands of people pass the store's window display. The public becomes aware of the studio's high-quality photography, even if the images register in their minds for only a split-second. To encourage passersby to study your work, change photo displays once or twice a week. Your pictures also remind consumers that professional photography is a valued purchase.

Many photographers worry about paying percentage rent—a portion of sales paid to mall owners when gross studio income surpasses a fixed amount. However, base rent is usually calculated on such a high gross income photographers who pay percentage rent already earn hefty profits.

Before moving to a high-cost location, carefully evaluate your studio books. Hire a professional business planner or certified public accountant to plug your operation's overhead figures into a computer program to determine sales required to support higher overhead and still turn a profit.

Prime space within shopping centers may not be available to independent professional photographers—choice areas often are held for national chain stores with proven track records. Independent businesses have a better chance of snaring select space in brand-new centers or empty storefronts unleased for some time. However, if modestly priced space is readily available, be cautious—it would have been snapped up if the mall were flourishing. Once you select a location, negotiate a renewal clause in your contract so you're not out in the cold after the present agreement expires.

An additional advantage of a shopping center location is that other stores may jump at the chance to assume responsibility for your contract if you close the business before your lease ends.

Shopping center locations aren't ideal for every studio. Nonetheless, malls—to which customers flock by the tens of thousands—are uncharted territory for professional photographers. They represent a potential profit-making alternative for image-makers interested in earning an annual gross income between \$300,000 and \$600,000 or more. 