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# Your Bottom Line

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## Plastic credit means real business

Photography studio owners inevitably hear customers ask "Can I purchase portraits on credit?" Even if you don't accept credit cards, it's impossible to completely avoid pay-later financial plans.

For example, when clients pay cash for items on delivery or pickup, you're in a credit situation and payment is at risk. If newlyweds fail to compensate you for a \$1,000 wedding album, you lose a great deal of profit. Nonetheless, if you handle credit properly, it can attract more customers to your studio and enrich your bottom line.

Years ago, the local professional photographer was a member of a small community and knew who to trust and for how much money. The image-maker also realized people most likely would stay within the area throughout their lives.

Today, the public is infinitely more mobile—a young couple may settle 3,000 miles from home and move every few years. As a result, consumers may not fulfill obligations as responsibly as they once did and independent businesses must handle customer credit carefully.

Offering credit is a problem for every company, but large, specialized businesses, such as major department stores and credit card companies, know to whom and how much credit to extend, and have resources to utilize collection methods. Sizable businesses also incorporate into their expenses a percentage for bad credit.

Independent studio owners don't have such luxuries. The income of most studios, while allowing proprietors a comfortable living, doesn't provide for extensive research to discover who is a credit risk, or initiate collection procedures. Nor can most studios' yearly expenses be padded to incorporate bad credit. Therefore, if your annual net income is \$25,000 and newlyweds fail to pick up a \$1,000 album, you lose almost 5 percent of your yearly earnings.

It's less difficult for commercial photographers—as opposed to portrait image-makers—to collect fees because they deal

with recognized companies with documented credit histories. The businesses most likely will remain in town and carry out financial obligations.

To minimize risks associated with pay-later financial plans, perhaps small business owners should insist on balloon payments up front and the balance on delivery. Enforcing such a policy is never easy, but consequences of not following the rule may include accepting financial losses.

In addition to assuring payment, another advantage to receiving maximum dollars up front is that once people pay a large deposit, they often forget how much money they spent. Consequently, customers are more likely to purchase additional portraits after viewing your high-quality proofs.

The more quickly you add clients' cash to your bank account, the sooner the money will work for you. It can generate interest; pay for new lighting equipment, film, and other supplies, or put food on your family's table.

Another reason to request a large deposit was proposed by my father, who spent 49 years in dentistry. After dad inserted patients' dentures, many customers who owed him money complained about how the new teeth fit or looked. Some clients never made the final payment, claiming dissatisfaction with the product.

But, those who paid in advance for dentures always seemed to appreciate the dental work so much more and never had subsequent complaints about the product! Professional photography is like dentistry in many ways. Image-makers produce an item clients judge. Some people are unhappy with dentures because they imagine their natural teeth looked better than they actually did. Similarly, photo subjects may perceive themselves as more attractive in reality than they appear in portraits. Customers may not pay the balance of their debts because they think the photography isn't as excellent as it should be.

Although your studio may be a "cash" business, consider accepting credit cards—a convenient alternative to cash-in-advance and cash-on-delivery payments. The medium allows customers to pay you the entire photography order price immediately, and compensate the credit company in smaller increments; or at least offer you larger deposits and full payment on pickup.

To be eligible to accept "plastic," studio owners must have a commercial checking account at the credit company's sponsoring bank, and fill out a card application. Next, the bank initiates a security search to check your credit rating, personal references, and prove the studio exists. If you pass this step, you receive an account number and card-imprinting equipment.

The sponsoring bank assigns a specific floor limit—the highest amount customers can charge at the studio—which depends upon the type and volume of business. Banks also may charge you a small service charge on credit sales for the privilege of accepting the card. Rates vary from bank to bank.

No matter what pay-later financial plan you utilize, it's important to adhere to that policy. Once you make an exception, it becomes difficult to draw the line. When I exempt one customer from the credit rules, in as many as 50 percent of the cases I wind up wishing I hadn't!

In most small businesses, customers deal directly with the owner. In client's eyes, you as the sole proprietor can make exceptions to any regulation. You can make life much simpler by referring to studio rules as "company policy". Be sympathetic when clients ask to be exempt from credit procedures, but in a definitive tone state their requests are against company policy. It is much more difficult to argue with established rules than individuals.

In summary, it's impossible to operate a business without some form of credit, but if you carefully control the medium, you won't endanger your bottom line profit, and will keep customers happy. ■