
your bottom line

by Dr. Henry J. Oles
Cr. Photog.

Some thoughts on setting portrait prices

Setting prices is one of the most important and difficult tasks of a photographer's day-to-day business. The methods you use to establish your prices can mean the difference between making a profit and going out of business. Setting your prices too high can be just as disastrous as setting them too low. In fact, if you get the reputation of being "overpriced," you could have an extremely difficult time recapturing customers—even with dramatic price reductions.

Setting prices for a complex and relatively abstract product—such as a photographic portrait—is infinitely more difficult than pricing clothing, jewelry, or similar products, where the standard rule is a markup of 100 to 200 percent above wholesale cost.

Almost everyone seems to have advice on how you should price your portraiture. Some suggest that you take your basic lab cost and multiply it by three, five, or more times. Others suggest completely different procedures, including the possibility of raising your prices so high that you will limit yourself to making \$1,000 portraits and forget all the low profit and time-consuming work. In reality, there is no cut-and-dried method to determine your pricing; there are only factors for you to consider.

You must consider the cost of the goods you sell—and this is an elusive figure to pin down. While you can easily determine the cost of film and processing, it is much more difficult to figure in a correct percentage for overhead, including equipment, utilities, employee salaries, taxes, insurance, and so many more items that go into the everyday cost of running your business. Many of these expenses are relatively fixed, meaning that they do not increase in direct proportion to your daily cash intake. That is, your current facilities and staff may be able to turn out twice the cash volume you now do which means that part of your overhead does not change at all even though you turn out considerably more work. This can bring down your

total cost of production considerably.

Most likely, your safest approach to pricing is to begin with the cost charged by a color lab that is either producing your work or one that is producing work of a quality similar to what you are doing yourself. You should then determine several different multipliers: One should be for your basic production work, another for your premium quality work, and a third for special products such as canvas mounting, special textures, special print finishing, etc. These multipliers should place your work in line with other studios in areas of similar quality.

Do not assume that because you judge your work to be twice as good as the competition that the public will pay you twice as much for your product. People set a value on an item they intend to purchase and often will not recognize quality differences that you as a professional do. Even if consumers can see the difference, they often will be satisfied with a no-frills picture because that's all they wanted in the first place.

Portrait pricing varies considerably from area to area because people in one location may put a lot less emphasis on portraiture in their lives than do people in another. You need to survey your market before setting your prices. As I suggested in last month's column, shopping your competitors can be an extremely worthwhile experience. It is the only way to find out what has been successful in your market. If you are new to the area, you may be startled by the going rates. If the prices are lower than you expected, don't believe for a minute that you are going to be able to quickly turn the market upside down and have customers queuing up to pay twice as much as they have been accustomed to elsewhere. It just doesn't happen that way. No photographer, regardless of work or sales approach, can change the ingrained values of the citizens of a community. In order to make your work worth more than that of other studios, you will have to offer work that is distinctively dif-

ferent in ways the public can recognize immediately.

Of course, there are many other factors to consider besides just your pricing structure. The way your entire staff handles each customer from start to finish, the appearance of your overall business, and the special customer-oriented services you offer, all can make an impact.

If you have more business than you can handle at present, you have two choices: You can keep your prices the same, assuming that you are currently making a profit, and hire additional staff to handle the business you are currently turning away; or you can raise prices, reduce the overflow business, and make a larger profit on the business you can handle.

If, on the other hand, you don't have enough business to keep you busy, you also have two choices: You can leave your prices where they are and continue in the status quo, or you can lower your prices and see if this brings more customers to your studio. Raising your prices is not an option; higher prices will not usually fill your camera room.

In summary, pricing your work correctly is difficult. There is no surefire rule that will apply to all portrait studios. Don't ever allow anyone to tell you how you should price your work. This is the surest path to disaster.

Instead, analyze your business and your customers—especially the type of customers you wish to serve. Consider the direction in which you want your business to move next year and on into the future. After you have collected all this information and determined your goals, set or revise your price structure. Then carefully monitor your customers' reactions, especially as they reflect on your daily sales. If you feel you have made an error, do not hesitate to make revisions. Your pricing structure is directly related to your bottom line. Do it right and you can profit nicely. Do it incorrectly and you can be out of business. ■
