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Ask the experts

Get a handle on how to price a wedding package

Q: I'm trying to wrap my brain around how to price a wedding package. I'm setting up my packages around albums, so my base price includes full-day coverage of the event, 300 4x6 print proofs, and online viewing and ordering. The final package price is calculated when the client makes her album choices. Do I first figure out how much I need to make per wedding based on, say, \$50,000 annual owner's compensation? Then I'd calculate the 35 percent cost of sales, 30 percent general expenses, and 35 percent owner's compensation. Or do I calculate how much each wedding costs to determine my cost of sales? Then where do I account for general expenses and owner's compensation?

A: You are so wise to learn about the fundamentals of pricing before you forge ahead with your business! The popularity of photojournalistic-style weddings, combined with digital capture, has resulted in an explosion in the number of wedding images captured per wedding, and in turn, requires a revision in the formula used to profitably price wedding products. Use these three steps in your pricing:

1. CHARGE FOR YOUR TIME. Estimate how many hours it takes to deal with a wedding client and her order from start to finish—

- Pre-wedding: initial client meeting and wedding booking; engagement portrait session and/or pre-bridal session; additional phone or in-person planning meetings; time between the booking and the wedding day.
- Wedding day: gear checking and loading, travel time to venue; average number of hours you spend at the event.
- Post-production and sales session: downloading images; image editing; retouching

and preparing sales presentation; length of the sales session.

- Order fulfillment and delivery: finishing images ordered; placing or printing the order; assembling the album and other products; order pick-up meeting.

During business management classes, when I ask wedding photographers to estimate the length of these segments, the figure I hear most often is about 40 hours per wedding, although I think that's low. That's the amount of time I would spend with wedding clients in the film era, and I rarely shot more than 400 frames at the average event. But for the sake of this example, let's go with 40 hours.

Next, establish a reasonable hourly fee. We'll use \$30 per hour in this pricing exercise: 40 hours x \$30 = \$1,200. This base assures you'll be paid for the work you do and time you put in, and a small gross profit margin if you choose to outsource some of the production. If you do outsource, be mindful of your hourly fee and try not to spend more than \$20 per hour. Better yet, control your prices by negotiating a set production fee with your vendor.

Can you see the major difference between pricing weddings and pricing portraits? Traditionally, portrait photographers are compensated for their shooting time via salary and image-production time, which is accounted as a cost of sales, to which a markup is added to fund the business's general expenses. Because weddings involve a much larger investment of time, a per-hour fee should be a key factor in the process. Otherwise, the price charged to the consumer is likely to be less than actual business costs.

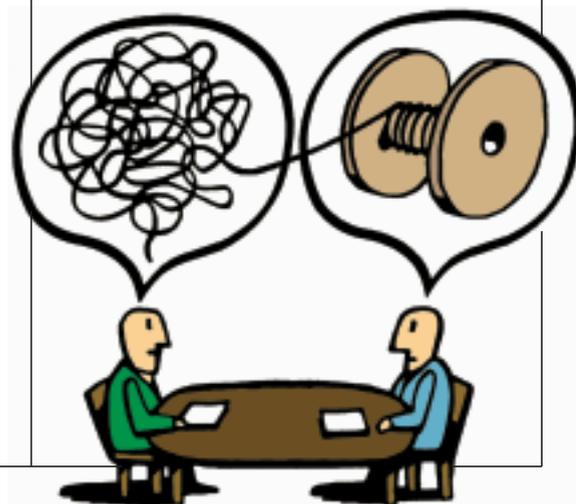
To drive home the point of how important it is to be compensated for your time spent

with wedding clients and in post-production, consider how the time factor would affect the price of a simple "shoot-and-burn" business model in which the client receives only a disk of the edited images. This model will save production time—possibly as much as 10 hours. So at an hourly rate of \$30 x 30 working hours, the time charge for photography and editing would be \$900. The only product charge would be for the DVDs that contain the images. But the pricing process must not stop here, as charging for time alone does not take into consideration the need to compensate the owner for the day-to-day costs of running a business. You must charge enough to compensate the business for general expenses (advertising, administration, building expense, employee expense, and equipment depreciation).

My suggestion for a shoot-and-burn model would be to double the \$900 time charge for a fee of \$1,800 for a home studio, and triple to \$2,700 for a retail location studio. Your hourly charge is a personal matter, but keep in mind if you use this rule-of-thumb method for dealing with costing your time component, you'll be crippling your ability to pay general expenses if you short the amount you pay yourself.

In presenting this shoot-and-burn example, I am not suggesting this is the best way to conduct a wedding photography business. But shoot-and-burn weddings are a fact of life in the wedding industry today.

The time-charge method assures that the photographer is paid a reasonable sum for the time and effort he or she puts into the time-consuming job of preparing for, photographing and processing wedding photography; it also provides a reasonable markup contribution toward the overhead of running the business. When the wedding photographer is not adequately com-



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compensated for his effort, burnout is virtually assured. When overhead funds are inadequate, the business is not sustainable.

2. CALCULATE PRICE FOR YOUR WEDDING PRODUCTS.

With your fees for your time established, pricing the wedding products gets easier. Simply markup the hard costs of the items you include in each wedding package (albums, prints, frames, packaging). Use the home studio or retail-space studio cost of sales benchmark. For a home studio to be profitable, you must keep your cost of sales at or below 35 percent of your total sales. For a retail studio, your cost of sales needs to be no greater than 25 percent of your total sales (higher overhead expenses need higher gross profits to cover them).

Say the estimated cost of the album and prints for a given wedding package is \$800.

Here's how you'd calculate your minimum prices:

Home-based studio

\$1,800 time fee
\$2,400 product fee (35% COS): \$800 COS
x markup factor of 3
\$4,200 total price

Retail location studio

\$2,700 time fee
\$3,200 product fee (25% COS): \$800 COS
x markup factor of 4
\$5,900 total price

Separating the time fee from the product fee helps photographers make wise choices about the time and money they spend in postproduction and product selection, because it reveals where profit leaks are occurring. Usually, there will be enough profit built into

the time fee markup to keep your overall wedding cost of sales within the 35 percent benchmark recommended for home studios and the 25 percent benchmark recommended for retail studios.

As the photographer's pricing confidence increases and she gains experience, the next step in the natural pricing evolution is to raise the time markup to equal the product cost of sales markup. In other words, a home-based studio would mark up both its time charges and products by a factor of 3, and a retail-location studio would use a markup factor of 4 for both time and materials. Doing so, of course, will increase your bottom line substantially, an appropriate reward for a well-established business.

3. DETERMINE HOW TO EXPLAIN YOUR PRODUCT & SERVICE OFFERINGS TO YOUR CLIENTS THROUGH A PRICE SCHEDULE.

Most photographers offer packages to their wedding clients. As more photographers enter the arena, the increased competition is leading many to keep adding products to their packages without increasing prices to compensate. I assume they are hoping to up-sell their way to profitability. It rarely works, though, because their fundamental pricing structure does not allow for it. My advice, *scale back* your product offerings and focus your sales presentations on the important services you provide. Price by the structure recommended above to assure the profitability of every package.

Finally, look for extras that are easy to up-sell, and consider selling some of them at slightly reduced prices—still within your cost of sales guidelines—if they're ordered and paid for before the wedding day.

I strongly recommend offering no more than four packages. I'd offer no more than three, because I know the majority of clients will choose the middle offering. All the packages must be profitable, but I would structure the middle one so that clients can clearly see its value, yet leave myself the possibility for up-selling. ■

—Ann Monteith

Got a question? The SMS team wants to hear from you. E-mail our panel of experts via PP editor Cameron Bishopp at cbishopp@ppa.com and include "experts" in the subject line.

THE CUSTOM QUOTE STRATEGY

I'd greatly prefer to provide a custom quote for each potential wedding client to offering wedding packages. I would present the quote as a time charge plus a like amount required as product credit. (You can adjust the time charge upward or downward depending on the scope of the wedding.) This strategy is easy for prospective clients to understand. It allows them to purchase exactly what they want, and will not preclude your opportunity to up-sell.

The custom quote strategy requires only a simple a-la-carte price list for images, album pages, album covers, and other accessories. It appeals to me because I'm confident in both my ability to communicate the value of the products and services I provide and my ability to control my cost of sales and general expenses.

Here's an example of how the custom quote would work for three different styles of weddings:

SMALL CHURCH/SYNAGOGUE, CEREMONY AND RECEPTION ON PREMISES

Photography fee	\$1,500
Product credit	\$1,500
Total price	\$3,000

TYPICAL SUBURBAN/URBAN CHURCH/SYNAGOGUE WEDDING CEREMONY, RECEPTION AT HOTEL, RESTAURANT OR CATERING VENUE:

Photography fee	\$2,000
Product credit	\$2,000
Total cost	\$4,000

ELEGANT SUBURBAN/URBAN CHURCH/SYNAGOGUE/SPECIAL-VENUE WEDDING WITH UPSCALE RECEPTION

Photography fee	\$3,500
Product credit	\$3,500
Total cost	\$7,000

Let me stress that these figures are used for structural demo purposes only. Each business owner must determine his or her own financial variables based on the monetary realities of the business and the personal financial goals of the owner. —A.M.