You got into photography because you love making art. Has the money followed?

The PPA Business Handbook
For a Healthy, Profitable Studio

PPA Member Exclusive

2010 EDITION
A USER’S GUIDE FOR A SUCCESSFUL BUSINESS

Numbers matter. Successful studios know it, and the latest Professional Photographers of America (PPA) Studio Financial Benchmark Survey proves it.

A photographer will not succeed without understanding how light relates to aperture numbers, but he’s far too likely to disregard the numbers involved with pricing photography and managing finances.

It happens, says Scott Kurkian, PPA chief financial officer, who’s seen firsthand one of the top mistakes photographers make, “Knowing their f/stops better than their cost of sales,” he says.

Knowing how to read your numbers—and how they compare to those of successful studios of similar size—will empower you to make smart decisions. It will show you what changes you need to make, help you strategize your marketing plan and budget, choose and price your products and services, and trim your overhead.

PPA is dedicated to helping members understand their financial picture so they can make smart decisions about how to manage their studio and improve their bottom line. That’s the principle upon which PPA’s Studio Management Services was founded, and through our workshops, consultations, webinars and other resources, our team of mentors and staff experts has energized hundreds of members to build more profitable businesses.

With the publication of this handbook created exclusively for members, PPA is sharing those resources. In the following pages, we offer an easy-to-use primer on formatting and interpreting your numbers. We’ll help you understand the concept behind the benchmarks, and how to apply them in your business to increase your profits.

The learning continues online at PPA.com with our new interactive worksheet, which will help you format and interpret your financial data.

You’ve mastered the techniques that help you create marketable photographs. Now take the time to learn a few techniques that will guide you to financial security. PPA is here to help members every step of the way.

—Betsy Reid, Director of Education
Professional Photographers of America
breid@ppa.com

Resources Online

PPA has created a suite of member-exclusive online resources at www.ppa.com/benchmark. Here are some highlights of what you’ll find there:

PPA 2008 Benchmark Analysis
As a PPA member, you’ll be able to download the comprehensive Benchmark report, which includes detailed findings and analysis that build on the key lessons you’ve read about here.

Benchmark Studio Self-Evaluation Tools
We’ve created a suite of nifty online tools to answer some of the critical questions that member studios often ask about their finances and their business plans: Can I afford a retail space? Is my marketing effective? Is my workflow efficient? How do I compare overall to the benchmark? Our interactive tools will guide you step-by-step to evaluate your data and financial data, and then calculate how your studio measures up to the benchmark to help you determine the answers.

New Webinar Series
In the first of our series, Kurkian and Ann K. Monteith will walk you through the Benchmark Survey findings and offer her insights and perspective. In future webinars, you’ll be hearing from owners of top-performing home and retail studios about what worked for them and what to avoid. Webinars are presented live and are available on-demand to members.

Templates, Tools and Other Resources
We continue to add to the online financial planning and business resources prepared by PPA’s Studio Management Services team. Members will find a variety of templates including Benchmark Analysis Worksheets for home-based and retail studios, a Sales and Sessions Tracking worksheet, and a Quickbooks Chart of Accounts with managerial accounting categories.

Personal Consultation
E-mail our Studio Management Services team with your questions at sms@ppa.com. Visit the SMS page on PPA.com and learn more about our workshops and consulting services, available exclusively to PPA members.

Special thanks
The PPA Business Handbook would not have been possible without Ann K. Monteith, the project’s greatest contributor, editor and writer. Monteith has been one of the architects of PPA’s educational efforts in the fields of marketing and financial management.

Methodology: PPA 2008 Studio Financial Benchmark Survey

Participants: To take part in the second PPA Benchmark Survey, photographers were required to have achieved a minimum of $50,000 in 2007 gross sales, with at least 50% of their income derived from portraiture and/or weddings, and give us a copy of their completed 2007 business income tax return. Some of the participants were client studios of PPA’s Studio Management Services and others responded to PPA’s publicity about the survey.

Scope: A Studio Management Services accountant reviewed each set of 2007 year-end financial records received from the 350 respondents who met the above criteria. The previous benchmark survey of 180 photographers was based on a review of 2004 year-end financial records.

Method: In both surveys, when the reviewers noted incomplete information or figures that raised red flags, they called the photographer to get clarification or corrections. This data was then compiled in a managerial format in order to make meaningful comparisons, conclusions, and recommendations.
How much should I charge for my work?
What can I afford to pay myself?
Can I afford to hire an employee?
How much rent is reasonable?

What is a benchmark?
By definition, a benchmark is a standard by which something can be measured or judged. PPA’s benchmarks perform the important function of providing sales and expense targets that make it easier for you to establish goals for your business. It’s a simple truth that until you have a target, it’s hard to know where to aim.

Why do benchmarks work?
Financial benchmarks can help you set important budget targets. They provide the structure necessary to control your business finances and achieve greater financial performance.

How can PPA’s financial benchmarks help you better understand the business of photography?
PPA’s Benchmark Surveys are financial snapshots of the studio photography industry. Survey findings allow you to see what it takes to achieve specific financial results in a home-based studio or retail location. They will help assess how much you have to gross in order to achieve the income you need; how much you must charge to achieve that level of sales; and how much it will cost to manufacture your products and pay your day-to-day business expenses.

How will these benchmarks help you?
The benchmarks will allow you to understand and shape your business in these important ways:
• Set an annual sales goal.
• Track your income and expenses against your budget and see instantly where you’re under- or over-performing.
• Recognize ways to control costs and increase profits.
• Determine exactly how much more money you could be making.
• Make important business decisions with much more confidence and much less stress.
• Provide the key to knowing exactly what areas of your business need to be improved.

PPA’s Financial Benchmark Surveys served as the foundation for the PPA Business Handbook. Conducted in 2005 and again in 2008, the two surveys analyzed the financial performance of 430 portrait and wedding studios.
THE BENCHMARKS WORK

Findings from PPA’s 2008 survey reveal the formula is paying off.

BY ANN K. MONTEITH, M.PHOTOG.CR., HON.M.PHOTOG., CPP, ABI, API, A-ASP, HON.ASP, FIPPA

In 2006, PPA released the first Studio Financial Benchmark Survey Analysis based on data compiled in 2005 from 180 participating studios. Since that release, the Benchmark Survey has gained widespread recognition as the definitive resource for professional photographers seeking to achieve financial success.

In August 2009, PPA completed the analysis of a second Benchmark Survey, based on financial data gathered from 250 studios in 2008. The second survey validates many of the critical benchmarks established in 2005. It also provides an important analysis, not only of how all 250 studios involved in the 2008 survey fared, but also how their performance compares to the 180 participants in 2005.

Of special interest are the 56 studios that participated in both surveys: Did what they learned through their 2005 participation influence and improve their financial performance in 2008? The answer is a resounding yes! These businesses saw their average bottom line increase from $47,000 to $83,500. This translates into a substantial change in lifestyle, and these studio owners achieved it in three years simply by adjusting their businesses to mirror the PPA financial benchmarks.

The lesson these studios learned is simple: When you increase sales and decrease expenses, your take-home pay increases—in this case by almost $36,500. These business owners did not discover a magic pill, they simply looked at their 2005 performance in comparison to the SMS benchmark targets, determined where their performance didn’t measure up, then began to improve their financial outcomes one percentage point at a time.

You can do the same, starting now. Find a way to devote some time each week to learning from this handbook and from the full 2008 survey, which members can download from PPA.com. If you need more help, consider attending an SMS class or sign up for an SMS consultation. If you are really serious about making a good living through photography, SMS can show you what it takes and help you along the road to success.

So how did these studios do in the 2008 survey? Across the board, the 2008 survey finds that studios that participated in both surveys showed significantly improved performance over 2005. However,

Great things happened for studios who met the benchmarks

Sales & Profits Grew...

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<tr>
<th>Year</th>
<th>Total Sales</th>
<th>Bottom Line Profit</th>
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<tr>
<td>2005</td>
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<td>2008</td>
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...While Expenses Declined

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<tr>
<th>Year</th>
<th>Total Sales</th>
<th>Cost of Sales</th>
<th>General Expenses</th>
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<tr>
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