



THE
ART
OF PRICING

3XM

YOUR SELLING MADE SIMPLE



INTRODUCTION

While you may be in business for the love and passion of photography and the joy and value you bring to other people's lives, it's important to remember that you also need to add value to your own. After all, nobody is in business to simply break even.

Pricing is often one of the most difficult things to get right and yet it's critical to the success of your business. This is true regardless of your genre of photography or the types of products you sell.

Before jumping into creating a price list, it's important to understand some fundamental aspects of running a business from not only a financial point of view but from a personal point of view too. Some of it is fun and some of it not so much, but ALL of it is necessary.

So let's delve into the world of pricing and look at what you need to consider. By the end of it, you will be well on the way to creating your perfect price list.

WHAT'S A CYNIC?
A MAN WHO KNOWS
THE PRICE OF
EVERYTHING
AND THE VALUE OF
NOTHING

Oscar Wilde

IT'S ABOUT VALUE

What is value and why is it important?

What's the definition of "value"? The dictionary describes it as "relative worth, merit or importance, or the worth of something in terms of the amount of other things for which it can be exchanged".

So what does that mean for you as a photographer? Well, there are a few considerations when we're talking about value. Firstly, you **MUST** value yourself. You must value your work; you must value the experience you offer your clients and you must value the products you offer. At the end of the day, if you don't see value in yourself and what you're offering, no-one else will either, especially your clients. Your mentality around value is everything. Once you start to value yourself and what you do, selling will become a whole lot easier!

The other consideration is your client. Put yourself in their shoes. How do they perceive value? It doesn't matter how much you think something is worth if your clients or preferred target market don't see it as valuable. A little research can go a long way to discovering what your client's actually want. In a lot of cases, they won't even realise what they want until you show it to them!

SELL TIME OVER MONEY

People perceive their relationship with time as more valuable than money.

Studies have shown that a person's experience with a product tends to foster feelings of a personal connection with it and therefore makes it feel more valuable than the money they paid for it. As a photographer, this is a great thing to hear because at the end of the day, you're not just selling a timeless product, you're also selling an experience.

No matter what your genre is, every photoshoot should be a special experience for your client. Whether or not your shoot includes a makeover or clothing changes, your client should be made to feel special. It's your job to make them feel glamorous, empowered, beautiful or handsome. The connection you create with your client will bring out the best in them and help you deliver truly spectacular photographs that they will absolutely want to buy.

You are also selling a legacy product - a piece of art, a moment in time, a little bit of history. It's something that will be enjoyed on a daily basis, admired over time and treasured forever. Every time they look at it, they'll be reminded of their experience with you. Don't underestimate the value of that.

What's your time worth?

Don't ever sell yourself short.

There is nothing more valuable than time because after all, when it's gone it's gone!

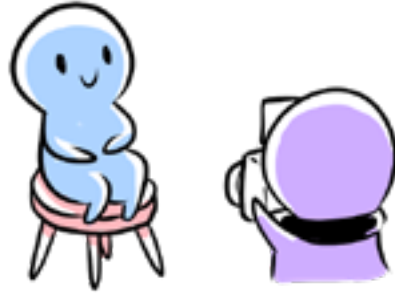
Isn't that what makes photography so special? Capturing a moment in time and preserving it forever.



THE RIGHT CLIENT

Not everyone is your client

The ultimate objective is to identify, target and win business from your ideal client. However, it takes time to build your business up to this level and you might find that initially you'll win business from clients that perhaps aren't your ideal client. This is ok – we all have to start somewhere and in the beginning it's all about learning.



Once your business is well established, you might find that you'll start to turn potential clients' away; this might be because they're not your ideal client or perhaps they don't value your work. You can't be everything to everyone – this is simply not possible or sustainable. When you get to this stage in your business you may find that you end up with fewer clients but they'll be BETTER clients that will value you, your work and what you're offering.

When you can connect with the right client, not only will you make a great sale but their happiness and satisfaction will bring referrals from their network of like minded people too.

Who is your ideal client? Start to target this persona in all of your marketing activity. But be mindful that you are likely to win business from other clients' too and when you're starting off or if business is slow, this can be a life-line.

THE CONSULTATION

Educating your client is key

PRE-SHOOT

We highly recommend doing a pre-shoot consultation to educate your client. You can do this either on the phone or in person. Tell them what's included in your pricing, the products you offer and the experience you will give them. Engage with them by asking questions. Find out exactly what they are looking for; the type of photos they love, who they want to do the shoot with and what they would like to use the photos for. If you're doing the consultation in-person, take the opportunity to show them your products – let them touch and hold the folio box or look at the wall art. If it's over the phone, you can send them links to your website or a product gallery.

When they ask about pricing, don't try to avoid it. Tell them what your sitting fee is (if you have one) and explain to them what your starting prices are. This may be the price of a single matted print for instance. Let them know that when they come back to view their images, they can then choose what they'd like to buy.

Set a frame of reference by saying something like "Some people spend \$300 and some spend \$3000. It's entirely up to you and we want you to buy the pictures you love". Giving a frame of reference will set people at ease and will let them know what they can expect to spend. They're therefore much less likely to be "scared off".

THE CONSULTATION

POST-SHOOT

It's a great idea to do a product walk-through when you've finished shooting your client. Give them the opportunity to interact with the products. If you're selling folio boxes or albums, let them hold it in their hands so they can see the quality of the product. If you're selling wall art, show them the sizes available and what they look like on the wall so they have a good idea in their head before they come back for their viewing. People will buy what you show them. Don't make it too complicated by showing them 10 different colour options or 10 different print sizes. Keep it simple.

Run through your price list and explain what your collections include. It's a good idea to give them a printed copy of your price list at this stage if you haven't already. Remind them again that it's completely up to them what they buy – you just want to make sure that they get what they really love.

Before they leave, arrange a date and time for them to return for their viewing.




THE VIEWING

When you invite them back for their viewing, make it an occasion. Start the viewing with a beautiful slideshow or video set to music. This will invoke an emotional response and is the perfect primer before revealing their photos to them.

There are generally 2 types of viewings that a photographer uses: a digital viewing where the images are shown on screen or via projector and a print viewing.

A print viewing is where the photographer displays 20 to 40 matted images on a wall, on the floor or furniture, or some people simply hand the folio box filled with the matted prints to their clients. It's important to give them time to look, touch and interact with the images. Don't pressure them.

The beauty of using the print viewing method in conjunction with a folio box is that they can choose the prints they want and place them in their folio box. Allowing your client to take their beautiful photos home with them that very same day is a wonderful thing. They'll be so excited to share their story and photos with friends and family.

We highly recommend doing a print viewing. We have seen first hand the impact it has had on increasing photographers' average sales. It's seriously worth considering and it's easy to implement. If you want to learn more, have a read of our free **“How To Increase Your Sales”** book. 

COMPETITORS

Knowing your competitors will help develop your understanding of your target audience, the current market and your industry in general. You can then use this knowledge to develop and refine your business strategy to distinguish you from your competitors.

When looking at your competitors, try to determine the following:

- Are they direct or indirect competitors?
- How do they position themselves?
- Do they appeal to a particular age group, gender or niche market?
- Are they offering a high end service or are they targeting the price conscious?
- What are their prices?
- What are their strengths and weaknesses?

COMPETITORS AND PRICING

Whilst it is important to know what other photographers are charging in and around your area, don't get too caught up in it.

Say for example there are 3 shoot and burn photographers in your area charging \$150 for a session. Don't let that sway you into thinking "Gosh, I can never compete with that" or "If I'm way more expensive than them, I'll never get any customers" or "That must be the going rate for this area". Get those ideas out of your head and instead think about how you can take advantage of it.

If those 3 photographers are at the lower end of the scale in terms of price then set your prices substantially higher. It'll instantly set you apart. You'll attract entirely different clientele and you'll be taking yourself out of the race to the bottom with the other photographers. The last thing you want is to get stuck in a price war.



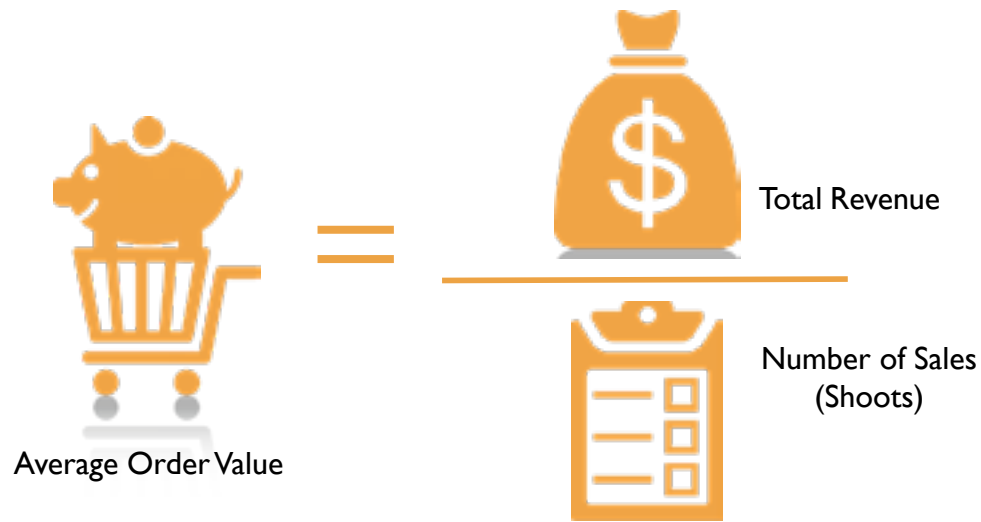
Right, it's time to tackle some numbery bits...

KNOW YOUR AOV

Do you know your average order value?
How do you calculate yours?

Definition: Average Order Value (AOV) is a metric that measures the average total of every order placed over a defined period of time.

How is it calculated? Simply divide total revenue by the number of sales (shoots).



What about shoots that didn't result in a sale?

You should ALWAYS include shoots that didn't result in a sale when calculating your average order value because in reality, the job was done and your time was spent. However, some people will calculate it using only the number of shoots that did include a sale but this is not correct. Let's take an example to see how your AOV can be affected.



Example 1 - Including Non Sales

Total Revenue for month: \$8400
Total Number of shoots: 10
Total that resulted in a sale: 5

AOV Calculation: $8400 / 10 = 840$

Average Order Value: \$840

Example 2 - Excluding Non Sales



Total Revenue for month: \$8400
Total Number of shoots: 10
Total that resulted in a sale: 5

AOV Calculation: $8400 / 5 = 1680$

Average Order Value: \$1680

As you can see it makes a big difference. But bear in mind that you also need to consider the number of shoots done. For example, a photographer says their AOV is \$10,000 and yours is \$500 but let's say the other photographer only does 1 shoot a year and you do 100. That means their entire revenue is still just \$10,000 but yours is \$50,000.

So, what we're saying is, AOV isn't the be all and end all; there are lots of other things that need to be considered so be careful out there when comparing numbers with other photographers.

MARKUP & MARGIN

Before you go about setting your prices, you should familiarise yourself with the difference between markup and margin. Many people get confused and expect that if they get X% markup then their margin will also be X%. That's not the case and it's important that you know why. Knowing the difference helps you set goals. It can help you set your prices to ensure you make the profit you need and improve your bottom line.

MARKUP

Markup is measured as a percentage of cost. So if you buy a product for \$200 and sell it for \$1000, the markup is \$800. This expressed as a % of cost is:

$$\frac{\text{Selling Price} - \text{Cost Price}}{\text{Cost Price}} \times 100 = \text{Markup \%}$$

$$\frac{1000 - 200}{200} \times 100 = 400\% \text{ Markup}$$



THINK
COST

MARKUP & MARGIN

MARGIN

Margin is expressed as a percentage of selling price. It's the difference between the total sales and the cost of the sales. So if you buy a product for \$200 and sell it for \$1000, the gross margin is \$800. To calculate your gross margin as a % of sales:

$$\frac{\text{Selling Price} - \text{Cost Price}}{\text{Selling Price}} \times 100 = \text{Margin \%}$$

$$\frac{1000 - 200}{1000} \times 100 = 80\% \text{ Margin}$$



THINK
SELL

OVERHEAD COSTS


Don't forget it's not just the cost of the product you need to consider when devising your prices – you also need to factor in the operational costs related to your business. These are also known as “overheads”. Overhead costs refer to all expenses required to operate your business. They can be either fixed or variable.

FIXED COSTS

These are costs that must be met regardless of the sales you do. In other words, they can't be avoided! They are independent of revenue so whether you're busy or quiet, these costs remain static. Examples of fixed costs include: rent / lease / mortgage payments, salaries (of all full time employees including you), depreciation of any equipment or vehicles, insurance, legal and accounting fees, any memberships or subscriptions.

VARIABLE COSTS

Variable costs will fluctuate in relation to sales or how busy or quiet you are. Examples include: supplies (office supplies, paper and ink if you do in-house printing), advertising, packaging and other marketing expenses. It also includes variable staff costs such as hair and makeup personnel who may only be contracted on a per shoot basis and is therefore variable.



Your gross profit will be used for accounting purposes to determine your net profit.

Net profit = Gross Profit - Overhead Costs




9 PRICING PRINCIPLES

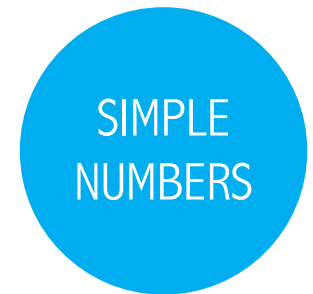


9 PRICING PRINCIPLES

I. Simple Numbers

Keeping your prices simple is an easily implemented yet effective tip. The idea here is to avoid unnecessary syllables, symbols and punctuation. A paper published by the Journal of Consumer Psychology found that prices with more syllables appear higher to consumers. The top two numbers shown below were perceived as higher than the bottom one even though all three are exactly the same amount. The effect is caused by the way we say numbers out loud or even in our head. The comma makes us say "one thousand four hundred and ninety nine" as opposed to "fourteen ninety nine" when we read the last one – a lot less syllables.

\$1,499.00 
\$1,499 
1499 



A study by Cornell University also showed that removing the currency symbol resulted in higher sales. The presence of the currency symbol triggers a defense mechanism in our brains. Martin Lindstrom, a marketing expert who writes for Time magazine explains it like this "The dollar sign is a symbol of cost, not gain".

9 PRICING PRINCIPLES

2. The Power of 9

Welcome to pricing psychology 101. This tactic is one of the oldest and most widely used. It is also known as “charm pricing”. In simple terms, it involves ending the price in 9 or .99. This simple practice can profoundly affect purchasing decisions. People perceive the price as significantly lower than it actually is because we naturally scan a number from left to right. So if a price is \$7.99, we perceive it as \$7 rather than \$8. In other words, we round down to the nearest whole number even though it is closer to the rounded up figure.

So the motivation is simple - it makes the price seem lower and it is surprisingly effective. William Poundstone looked at eight different studies which he talks about in his book, Priceless. He found that on average, “charm pricing” increased sales by 24% versus “rounded up pricing”. That’s phenomenal. Imagine if you could increase your revenue by 24% with something so simple!

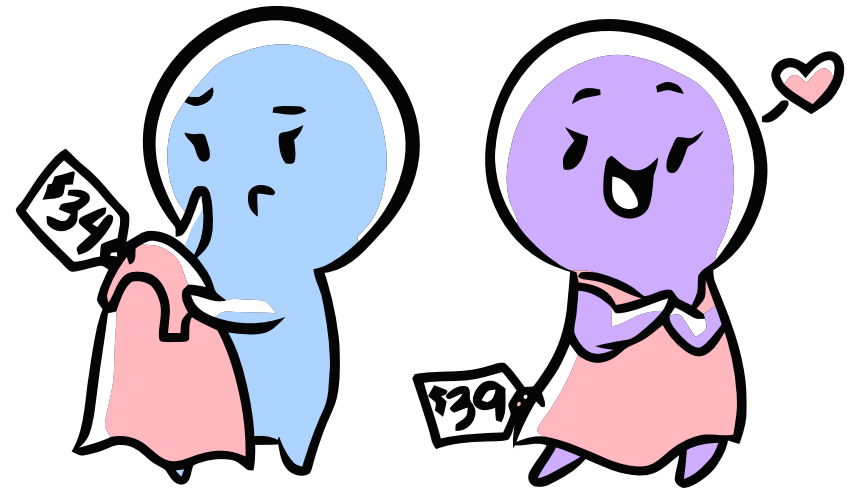
There is a well known experiment that was conducted by MIT and the University of Chicago that illustrated the power of 9.



They tested a standard item of women’s clothing at 3 different prices: \$34, \$39 and \$44. The item sold best at \$39 despite the fact that it was more expensive than one of the other options. This study also showed that prices that ended in 9 outperformed lower prices by 24% on average.

When 9 is used in combination with a sales price, it also comes out a clear winner. For example, WAS \$50, NOW \$39 outperformed WAS \$50, NOW \$35.

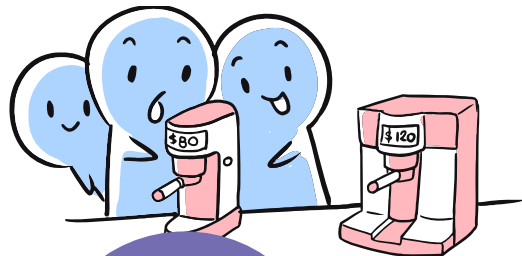
This is another ridiculously simple thing to implement that can clearly have a significant impact on your sales.



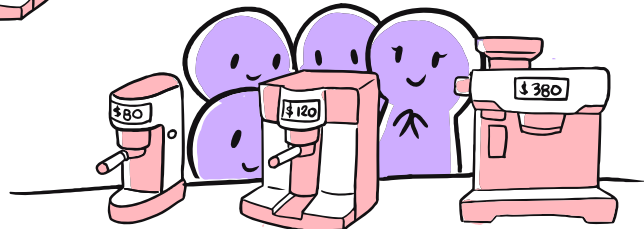
9 PRICING PRINCIPLES

3. Price Anchoring

Anchoring refers to the tendency for people to rely heavily on the first piece of information offered when making a decision. So the first price they see or hear will have an effect on their perception of all future prices. And by future prices, I don't mean the prices you would like to charge 2 years down the line. If we start with \$500 then \$200 will seem cheap and \$1500 will seem expensive. But if we start with \$20 then \$200 seems expensive. An example of this is a car salesman who will start off by showing the customer an expensive car. He will then go on to show the customer the mid-range cars which will seem so much cheaper than the first car.



We've all heard the saying "The best way to sell a \$2,000 watch is to put it next to a \$10,000 one. Placing a premium product next to standard ones makes them look like a bargain in comparison.



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9 PRICING PRINCIPLES

We also know that when people are given 3 choices, 70-80% of people will go for the middle option. A brilliant example to explain this is an experiment done with a retailer selling coffee machines.

Initially they offered 2 coffee machines priced at \$80 and \$120. The majority of people went for the \$80 coffee machine. They then introduced a third product priced at \$380. The majority of purchases then shifted to the \$120 machine.

So when you're creating your price list, you should include 3 package options. Ensure you price the middle package at what you would like your average sale to be (desired average order value). You may also choose to include a fourth "Elite" package priced well above even your top package. Even if you don't plan on selling a lot of these elite packages, it's presence alone will help the anchoring effect take hold and increase conversions of the main packages which are the ones you are really trying to sell "en masse".

If you are looking to move up the pricing ladder but want to manage your risk, one approach is to price your bottom package at your current average order value. This acts like a "safety blanket" in that you will never be worse off than your current average if you can maintain the same number of sales and the same cost of goods. With the majority of people going for the middle package, your average will automatically increase.

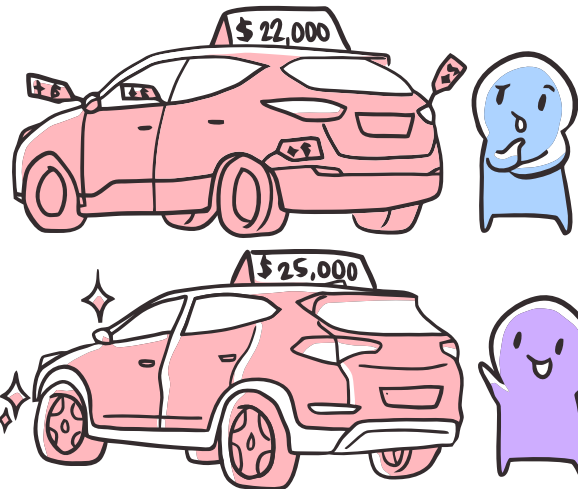
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9 PRICING PRINCIPLES

4. Price Bundling

According to the field of neuroeconomics, our brains are wired to “spend ‘til it hurts”. When perceived pain is greater than perceived gain, our limit has been reached.

Price bundling is one way to not only reduce this pain point but it can actually encourage the purchase decision. By showing more value it also helps to increase post-purchase satisfaction.



The car industry is an excellent example of successful price bundling in action as noted by Professor George Lowenstein. It's much easier to justify a single upgrade than it is to consider individual upgrade items such as heated seats, sat nav, parking assist and so on.



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9 PRICING PRINCIPLES

5. Avoid Too Much Choice

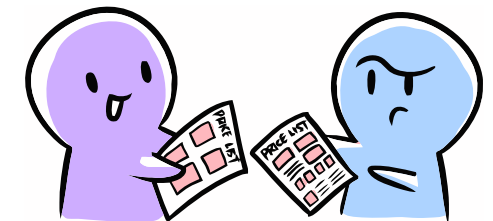
Did you know that giving your customer's too much choice can actually result in fewer sales? It's called “decision fatigue”. A tired, confused or overwhelmed mind will say no. People may think that they want lots of different options and that we should give them what they want but in reality, it just doesn't work.



There was a famous study done by Sheena Iyengar from Columbia University who tested this theory. She set up a jam sampling stand outside an upscale supermarket and offered samples of either 6 or 24 jam flavours. Interestingly, more people stopped to sample the jams when there were 24 flavours to choose from (60% as against 40% for the 6 flavours). However, when it came to making a purchase, only 3% of the customer's who had sampled 24 jams went on to purchase but 30% of the customers who sampled the 6 jams purchased. So while customer's can be attracted by lots of options, in reality, it will actually result in fewer sales. So, keep your price list, clear concise and easy to understand.



75% Less Choice » 6x purchases



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9 PRICING PRINCIPLES

6. Cost of Goods Multiplier

Cost of goods sold, also called cost of sales, refers to the cost of purchasing the products you are offering for sale. It will usually include any shipping costs associated with the purchase. The cost of goods is usually kept separate from other costs associated with running the business for accounting purposes as it provides a measure of gross margin when compared with sales. This is an important yardstick for measuring the profitability of your business.

Your cost of goods is a really important consideration when you're working out your pricing. This is often the only thing people think about because it's directly related to selling your craft. However, there are a lot more things to consider such as time, operating and overhead costs which we looked at earlier. But let's just talk about the cost of goods for now.

Many people will work off a product cost multiplier. In essence, they will multiply the cost of the product by 3, 5, 7 or 10. Ultimately, we would like to get to a 10 time multiplier. So if a product costs \$100 to buy, we would ideally sell it for \$1000. This gives a 900% markup and a margin of 90% (refer to pages 14-15 to learn about markup and margin). This however, may not be possible for everyone starting off so you could start with a 3 or 5 times multiplier and work your way up.



9 PRICING PRINCIPLES

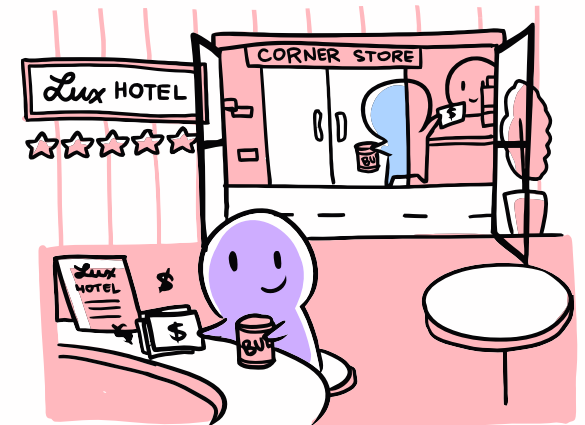
7. The Power of Context

Context drives behaviour so the sheer context of where the buyer is can affect their perception of price and their willingness to buy.

That doesn't necessarily mean that you must have a swanky studio – creating a highly engaged environment to facilitate customer interaction and connecting with your client is the key to making the sale.

Consider Richard Thaler's beer on the beach experiment. People were expecting and willing to pay more for the very same beer if they knew it was coming from an upscale resort as opposed to a run down grocery store despite the fact that they weren't even consuming the beer in either location. So the product is the same and the atmosphere is the same. It's simply the notion of where

the beer is coming from.



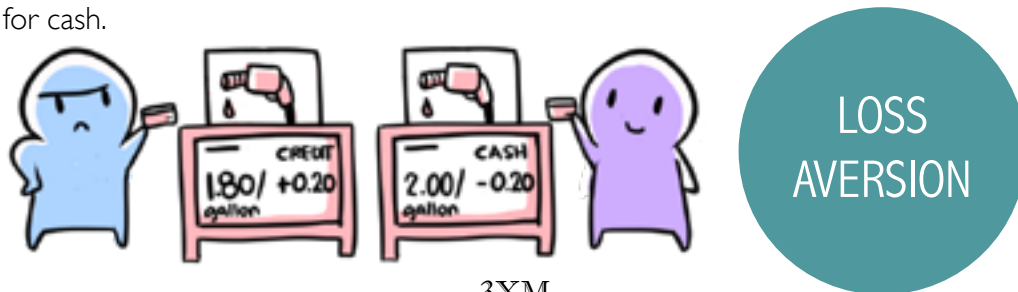
9 PRICING PRINCIPLES

8. Loss Aversion

Loss aversion revolves around the notion that “Losses loom larger than gains”. It is thought that the pain of losing is psychologically about twice as powerful as the pleasure of gaining. So what does that mean exactly?

Take the gas station example. Gas station A was selling gas for \$1.80 per gallon. If you paid with your credit card, they charged you an extra 20 cents per gallon. Gas station B was selling gas for \$2.00 per gallon but gave you a 20 cents per gallon discount if you paid with cash. Regardless of whether you bought from gas station A or B, the price per gallon was exactly the same. However, customers were much happier to shop at gas station B where there were no penalties for paying with a card over those in gas station A even though the cost of the gas was exactly the same.

So if you take credit card payments and charge your client a processing fee – DON'T. Instead, increase your price by the credit card fee % and offer a discount for cash.



9 PRICING PRINCIPLES

9. Free is free

If you're offering something for free – make sure it really is free. Don't surprise your client with hidden charges that they're not expecting.

A good example of this is Amazon in France. They couldn't figure out why their sales were 20% less than other countries. Then they discovered that their free shipping option was actually charging a nominal 20 cent shipping charge. They corrected the glitch and hey presto, their sales recovered to match that of other markets.



EXAMPLE PRICE LIST

THE ELITE EXPERIENCE

Price: 6799

Your Dream Destination Photoshoot
 Heirloom Box with 30 Matted Prints
 1 x Wall Art Piece of your choice
 Digital files with full Print Release
 Online Gallery for social sharing
 Behind-the-Scenes Video

COLLECTION B

Viewing Day Price: 1489

Full Price: 1750

Exclusive Portrait Experience
 Heirloom Box
 10 Matted Prints
 Digital files
 Online Gallery
 Slideshow

COLLECTION A

Viewing Day Price: 2489

Full Price: 2750

Exclusive Portrait Experience
 Heirloom Box
 20 Matted Prints
 Digital files
 Online Gallery
 Slideshow

COLLECTION C

Viewing Day Price: 1289

Full Price: 1450

Exclusive Portrait Experience
 Heirloom Box
 5 Matted Prints
 Digital files
 Online Gallery

A LA CARTE

SITTING FEE

Our sitting fee is \$99

PAYMENT PLANS

Talk to us about our interest
 free payment plans

20x16" Wall Art	485
24x20" Wall Art	829
30x24" Wall Art	1119
40x30" Wall Art	1399
1 Matted Print	175
Slideshow	175
10 Digital Files	1200

LET'S GO THROUGH OUR CHECKLIST

Are we using simple numbers?	YES
Are we utilising the Power of 9?	YES
Are we price anchoring?	YES (Yes with 3 collections + Elite Experience)
Are we bundling?	YES (See Collections)
Are we avoiding too much choice?	YES



Health Warning

This price list is just an example. When you're designing your own price list, you need to consider everything we've talked about to set prices that suit where you are currently at with your business. Don't forget to include any terms and conditions too.

EXAMPLE PRICE LIST ANALYSIS

Let's take a look at a few key features of our example price list. We'll start with the Collections first.

We have 3 main collections (A, B and C). We recommend that when you've worked out your desired AOV, set package B (your middle package) at this price. The majority of people tend to go for the middle option so this will help to ensure you meet your desired AOV.

The presence of the Elite Experience will provide further anchorage and may encourage people to bump up to Collection A which seems like great value in comparison and if someone wants to buy the Elite Experience then even better!

COLLECTION A

Viewing Day Price: 2489

Full Price: 2750

Exclusive Portrait Experience

Heirloom Box

20 Matted Prints

Digital files

Online Gallery

Slideshow

By stating a Viewing Day price and a full price, you're incentivising the sale on the day of the viewing. It may also encourage all of the "buyers" to be present. Note that this price ends in 9 but the full price does not.

The collections play to the power of bundling too. They offer greater perceived value than buying individual items from the a la carte menu and will therefore encourage a collection purchase. With that in mind, make sure your collections are designed to sell what you WANT to sell. In this example, we are focussed on selling folio boxes. However, if your client really wants Wall Art, the a la carte menu provides that option and also offers a good up-sell opportunity. Wall art products are the perfect accompaniment to a folio box so it's a great match.

A NOTE ON DIGITALS

Whether you like it or not, people nowadays want digital files. Our recommendation is to offer a digital file of any PRINT that is purchased. If someone only wants digitals, you can either explain to them that you don't offer digitals on their own but you do both prints and digitals together because you want them to have a beautiful print that will last forever. Or you can include a digital package like we have shown and price it so that a collection is really a no brainer for them in terms of value.



THE SITTING FEE

Again, this is completely optional. If you offer hair and makeup then your sitting fee should cover this cost. If not, you may still charge a sitting fee as a form of "deposit". You can choose whether you want to make it redeemable against a product purchase or simply bank it.

PAYMENT PLANS

There are providers on the market if you wish to offer a payment plan or you could consider running your own credit scheme.

EXAMPLE PRICE LIST ANALYSIS

ONLINE GALLERIES

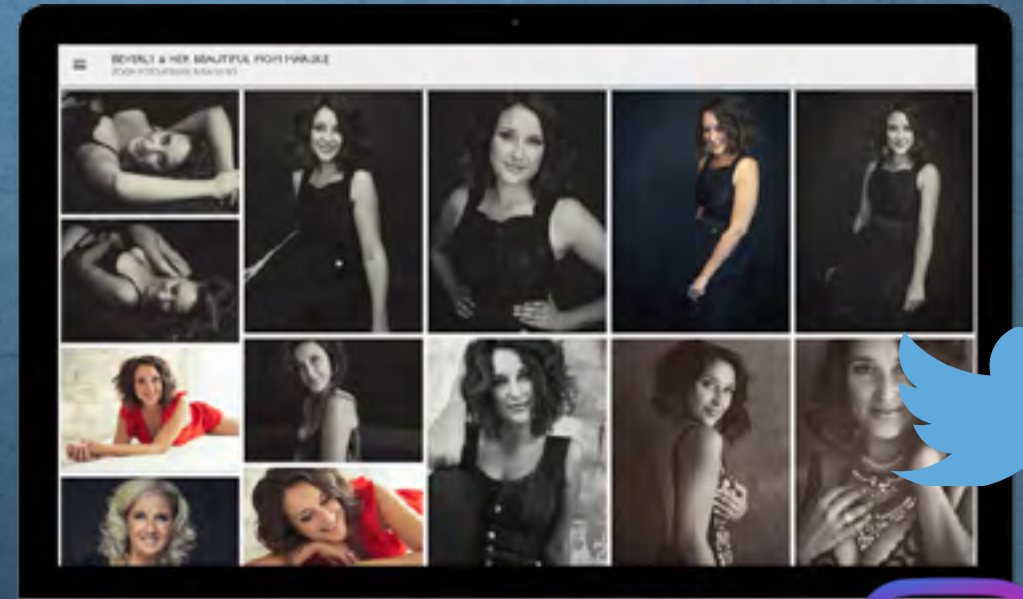
You may have noticed that we have included an online gallery with each of the collections. Why did we do this?

If I was to sum it up – it's about **referrals for you** and **satisfaction for your client**. FACT: Gen Y and Gen Z live online. They use a variety of social media networks, each with its own purpose. An online gallery gives them the opportunity to easily and instantly share your work on social media and when your details go with it, it's a very powerful referral marketing tool. It's so simple and yet think of the network of like minded people you'll reach with a simple click from your client.

Your client will love the fact that they can save their personalized app icon to their phone giving them instant, easy access to their gallery at any time.

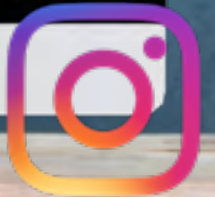
It is also a great way to deliver your digital files so your client can download them at the touch of a button to their handheld device. We recommend that you only include the photos that they have purchased as prints in your gallery.

Take advantage of your client's need to share and drive new clients your way. It's a win-win for everyone.



DO I STILL NEED A USB TOO?

Yes! Our recommendation is to give your client a copy of their digital files on a USB as well as an online gallery. The USB makes it easy for them to plug and play without the need to download first.



TOP TIP



When you purchase a 3XM Premium folio box, we'll give you a 100 image gallery credit for FREE

WHEN TO REVIEW

You need to review your prices on a regular basis to ensure they are still delivering for you. Ask yourself the following:

- » Are you getting the sales you need?
- » Are your prices still covering your cost of goods?
- » Are your time and operational costs covered?
- » Are you meeting resistance with regards your pricing?
- » Are you making a profit?

RESISTANCE

If you find that you're not meeting any resistance from clients with regards to your pricing then it's time to put your prices up.

Ensure you do so in small increments. The magic number when increasing prices sits around the 10% mark since that difference typically goes unnoticed or if it is noticed it is readily accepted (Weber's Law).

Conversely, if you find yourself meeting resistance on a regular and consistent basis then you should consider rolling your prices back to your previous iteration. Monitor your client's attitude to this set of prices and work from there.

NEW PRODUCTS

When you are introducing new products, you may need to adjust your pricing depending on how the costs differ to previous products sold. If the new products are more expensive then you should bump your prices up to ensure you maintain your margin. If they're cheaper but you believe you can still sell it for the same price then go for it. Don't feel like you should reduce your prices just because the cost of goods has reduced. If your clients are willing to pay for it, take it.

CHANGE IN SALES STRATEGY

Say for example you decide to move from a digital viewing to a print viewing, you may need to consider the cost of printing the images pre-sale. Don't forget to always use a re-usable mat so if your client doesn't purchase, you're only down the cost of the print and not the mat too!

NEW GENRES, MARKETS OR SERVICES

Let's say you're a wedding photographer and are interested in moving into portraiture. You will need to do some research into the current market, what potential clients want and expect, how many you think you can reach, who your competitors are and what you want to offer in terms of service and product. This information will help you determine your pricing strategy.

ECONOMY

If the economy is experiencing inflation or recession, it may be time to review your pricing to ensure you are getting enough clients and remaining profitable.

SOME PARTING ADVICE

A few final pointers

- **Don't stress** if you don't get it right instantly. Pricing is tricky. Don't be afraid to trial and tweak.
- Think about **how much profit** you want and need to make. Price according to what you need to do the job brilliantly and still be profitable too.
- Don't let your competitors rule your head. Instead, make informed decisions that will maximise your success.
- The **consultation is crucial**. Don't just email people your price list. Talk them through it; explain to them what's included and what they can expect to get for their money. Show them the product. Advise them on what they should bring and wear and if you have a style guide, send it to them. Try to engage with them and get an understanding for what they want. The better the prep, the better the shoot, the better the sale. The client connection is so important that in reality, the consultation is where the sale really takes place.
- Keep your price list **clear and simple**. Don't let it get cluttered and don't offer too much choice. It will only lead to decision fatigue and a dead sale.
- Ensure your price list adheres to the **9 pricing principles**.

- Offer **3 or 4 collections** or bundles, no more or less. Price your middle collection at your desired average order value.
- Include **digital files** with all purchased prints.
- Give them an **online gallery** of their purchased prints to easily share on social media and drive referral business your way.
- **Do your sums and know your numbers**. I know it's not the most fun part of business but it is critical you have a clear understanding of your costs, margins and profits. We've built a nifty little tool to help you too. Check it out here: <https://3xmsolution.com/know-your-numbers-calculator>
- **Review your prices regularly**. Make sure they're still working for you and your business.
- **Sell yourself**. If you don't value the work you do and the products you sell, no-one else will either.
- **Be patient!** It takes time to get where you want to be. Believe in yourself and you will get there.



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GLOSSARY

Average Order Value (AOV): is a metric that measures the average total of every order placed over a defined period of time. It's calculated by dividing your total revenue by the number of sales (all shoots including ones that didn't result in a sale)

COGS (Cost of Goods Sold): also known as cost of sales. In retail, it refers to the purchase price of merchandise. In manufacturing, it is the sum of direct material, direct labour, and factory overheads incurred in making a product.

Fixed Cost: a periodic cost that remains more or less unchanged irrespective of the output level or sales revenue, such as depreciation, insurance, interest, rent, salaries, and wages.

Gross Margin: gross income expressed as a percentage of net sales. Formula: $(\text{Sales revenue} - \text{Cost of sales}) \times 100 \div \text{Sales revenue}$.

Gross Profit: the difference between revenue and the cost of producing goods or services sold. It is sometimes expressed as a percentage.

Gross Profit Margin: a measure of a company's profitability that is expressed as a percentage of gross profit. It is calculated by dividing gross profit by revenue.

Margin: difference between the cost price and selling price of a product.

Markup: in pricing, margin refers to the amount added to the cost price of an item to cover incidental costs (interest, labor, taxes, utilities) and to provide for profit in the item's selling price.

Net Profit: the amount by which income from sales is larger than all expenditure. Also called profit after tax.

Overhead: a cost or expense (such as for administration, insurance, rent, and utility charges) that (1) relates to an operation or the company as a whole, (2) does not become an integral part of a good or service (unlike raw material or direct labour), and (3) cannot be applied or traced to any specific unit of output. Overheads are indirect costs.

Revenue: the income generated from sale of goods or services, or any other use of capital or assets, associated with the main operations of an organization before any costs or expenses are deducted. Revenue is shown usually as the top item in an income (profit and loss) statement from which all charges, costs, and expenses are subtracted to arrive at net income. Also called sales, or (in the UK) turnover.

Variable Cost: a periodic cost that varies in step with the output or the sales revenue of a company.

Reference: <http://www.businessdictionary.com>

Disclaimer:


This book is designed as a guide to help you understand pricing within your photography business. It is not intended to replace professional financial advice.

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Our man on the ground in the UK, Simon has extensive knowledge of the professional photographic industry having worked in it for almost 30 years.





“With 3XM, it’s not just about a box, it’s the whole concept of helping us sell to our clients.”

Ines Schaefer, Germany

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