PPA BE MORE

2014 Survey Analysis

by Ann K. Monteith
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PPA's Benchmark Survey

In 2005, Professional Photographers of America (PPA) released the Association's first "Benchmark Survey of Financial Comparisons of Photography Studio Operations" based on 2004 data compiled by its staff accountants. Since that release, and at subsequent 3-year intervals (2008 and 2011), PPA's Benchmark Survey has gained widespread recognition as the definitive resource for helping photographers understand what it takes to achieve financial success in photography.

Following the release of each Benchmark Survey, PPA's Professional Photographer *magazine published issues that included findings in formats that helped readers understand the benchmarks' relevance to their businesses. These articles have received high praise from the Magazine Association of the Southeast, including a Gamma Award Gold Medal for Best Service Journalism. The judges' comments for each award provide a powerful rationale as to why PPA's Benchmark Survey is valuable reading for professional photographers who are determined to succeed in business:*

The judges found the November 2006 magazine article to be "Compelling, focused, specific, impeccably researched and relevant to its audience . . . The story summarized industry benchmarks without becoming mired in extraneous detail, outlined specific recommendations for increasing profits and included real-life 'turnaround' stories that illustrated how business owners could use the article's tips to do exactly what the headline promised. Bravo!"

At the awards three years later, the judges declared that the January 2010 magazine insert entitled The PPA Business Handbook, *"set the gold standard for service journalism. Targeting its readership with laser-sharp precision, PPA gives photographers exactly what they need to profitably run their business. With precise writing, easy to read format and succinct packaging it delivers actionable advice presented in a variety of formulas."*

I trust that the 2014 survey's "findings" will build on these accomplishments.
— AKM

How Will The 2014 Survey Help My Studio?

The last Benchmark Survey (2011) proved again that photographers could favorably alter the course of their businesses by learning from its findings. The 2014 Benchmark Survey builds on that foundation and provides even more information that will help to maximize your financial performance. From the various analyses presented you can:

- Determine exactly how much more money you could make if you managed your business according to the benchmarks achieved by best-performing studios.
- Diagnose the areas of your business that are draining profit from the bottom line.
- Learn how to set up your financial records according to managerial standards that allow you to make informed decisions about your business.

Photographers who embrace these benchmarks with the same enthusiasm that they approach their art can be confident that this survey will provide real-world guidance backed by thorough research and validation.

About the 2014 Survey

Survey Participants

To take part in the survey, photographers were required to have achieved a minimum of $25,000 in 2013 gross sales, with at least 50 percent of their income derived from portraiture and/or weddings, and have completed a 2013 business income tax return. Some of the participants were client studios of PPA's consulting services, and others responded to PPA's publicity about the survey.

Scope of Study and Survey Method

For this survey, over 600 studios completed the initial business questionnaire, however, 203 of those studios met the criteria described above. PPA's accountants reviewed each set of 2013 qualifying records. Although this was less than the 2011 Survey, it nonetheless represents a huge accomplishment: other industry surveys have included more respondents, but they were based only on the participants' self-reported responses to questions that assumed a higher level of financial sophistication than photographers and most small business people typically possess. Thus, there was no objective validation of the data they contained.

As was the case in all of PPA's Benchmark Surveys, respondents' 2013 records were reviewed, and when areas either were incomplete or included figures that raised red flags, the photographer was contacted and interviewed about the items in question until the accountant was certain that all figures were as accurate as possible. This data was then compiled into a managerial format so that meaningful comparisons, conclusions and recommendations could be reported in the sections that follow.

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PPA Benchmark Background

Getting From There to Here . . .

When PPA accountants began compiling data for the Association's first Benchmark Survey in September, 2005, they knew it would take almost a year to complete the complicated business of verifying the 2004 year-end financial records of the 180 participants. In a sense, however, the road to this survey took more than 50 years to travel. This journey recognizes the struggle of photographers to make sense of business principles that often are at odds with their artistic passions. This history is recorded as an Appendix to the 2005, 2008 and 2011 Benchmark Surveys.

About Benchmarks

By definition, a benchmark is "a standard by which something can be measured or judged." PPA's 2014 Benchmark Survey is a financial snapshot of the photography industry in 2013 that measures and judges the financial reality of participating studios according to industry standards advocated by Professional Photographers of America. Its findings allow Home Studio and Retail Studio owners to compare their financial results to businesses of similar sales levels, structure, years in business and other important measurement models, helping them assess their productivity against overall industry averages and "best-performance" studios. It also validates the industry standards for financial management and accounting that both PPA's business instructors and accountants have advocated since the release of the first survey in 2005.

Managerial Accounting Versus Tax Accounting

Business management may not be something that comes naturally to photographers or to other business owners involved in creative professions. We have seen that many photographers don't understand the value of managerial accounting and their bookkeeping is mainly used to fulfill tax-preparation obligations. Those who want to know more about their businesses sometimes look to their tax data and experience only frustration because what it reveals is largely useless in helping to understand how to improve their financial performance. Without an understanding of managerial accounting, this frustration will continue. What's the difference between the two? Tax accounting is little more than a list of what the business purchased; managerial accounting tells you why the business made the purchase. It is this "why" component that allows you to analyze the effectiveness of expenditures, and this makes a world of difference in your ability to gain actionable information.

Fortunately, managerial accounting does not require a separate set of books; the difference merely is how the numbers are arranged. When your bookkeeping is formatted managerially, these accounts also can be used for tax preparation purposes. The advantage of managerial accounting, then, is that you can fulfill tax obligations with the same set of numbers that provide actionable information for making sound business decisions. This allows you to manage your business with certainty. Managerial accounting also lets you benefit from managing by the PPA Benchmarks and, when compared, can serve as a constant check on your financial progress.

Managerial Accounting Benchmarks

Benchmarks are expressed as a percentage of sales because percentages allow you to compare financial productivity no matter the size of your business. In the example that follows, both studios had bottom-line results (Owner's Compensation + Net Profit) of $40,000. However, when you compare this bottom line as a percentage of sales, you will see that Business B is twice as productive as Business A, as it retained 40 cents (40%) of every dollar of sales, whereas Business B retained only 20 cents (20%) of every sales dollar.

	Business A	Business B
Sales	$200,000	$100,000
Owner's Compensation + Net Profit	$40,000	$40,000
Owner's Compensation + Net Profit %	20%	40%

Benchmark Components

Following is a summary of the items that comprise the key benchmarks established in this survey:

Cost of Sales

Sometimes referred to as Cost of Goods Sold, Variable Expenses or Direct Costs, these expense items account for the time and materials that go into manufacturing the products that clients purchase. Monthly Cost of Sales increase or decrease in relation to sales volume. A Cost of Sales benchmark allows you to determine if your pricing is profitable and your workflow is efficient.

The Cost of Sales benchmark set in 2011 and reaffirmed in the 2014 survey is 25% for both home and retail studios.

Cost of Sales Expenses include tasks, materials and services such as:

- Imaging media
- Processing/Storage media
- Frames/Accessories/Packaging
- Retouching/Print finishing
- Production labor
- Contract labor
- Job-specific costs (travel, prop rental, etc.)
- Sales commissions
- Shipping charges
- Credit card transaction fees
- Online sales transaction fees

General Expenses

Sometimes referred to as Fixed Costs, Indirect Costs or Overhead, these expense items recur throughout the year and do not change in proportion to the amount of business conducted. For example, rent and utilities must be paid each month whether your sales are high or low.

The typical chart of accounts for business expenses is listed alphabetically or numerically and includes both the dollar figure of each account line item and the percentage of total sales consumed by that line item. Percentages are more useful in assessing financial productivity than dollar amounts because you can compare percentages to one another and to benchmarks while you cannot do so with dollar totals.

When reviewed individually, many General Expense percentages don't reveal much of managerial significance. However, grouping them by Business Function helps to make the impact of expenses on the total business easier to comprehend. The owner can see what percentage of each dollar goes to Owner's Compensation; to Employee Expenses; the percentage of sales that covers Building Expense; Marketing Expense (marketing, advertising and promotional costs); Administration Expense (items the business would pay even if the owner operated on location with an office at home); and the percentage of sales going to Depreciation Expense (capital investments and expenditures greater than $500 for each individual expenditure).

By setting a benchmark range for each Business Function, it quickly becomes apparent when and where overspending is occurring, allowing the owner/manager to take immediate action to lower expenditures.

General Expense benchmarks, reaffirmed in 2014, reflect the higher costs associated with operating from a retail location, and each is expressed as a percentage of sales: 30% for Home Studios; 40% for Retail Studios

Following is a listing of the General Expense line items that are included under each General Expense Function:

Owner's Compensation

- Owner's salary/benefits

Employee Expense

- Employee salary/benefits

Building Expense

- Rent
- Mortgage interest
- Utilities
- Maintenance (building maintenance only, not equipment or auto)
- Insurance (personal property, building and liability, not auto)
- Real estate property tax

Marketing Expense

- Display rental
- Printed marketing materials
- Direct mail postage
- Advertising expense

Administrative Expense

- Postage – general
- Telephone

- Props & Camera costs (including camera repair)
- Office expense
- Education expense
- Interest expense
- Auto expense (including auto insurance)
- Accounting/Legal
- Taxes and licenses

Depreciation Expense

Capital Investment

Also referred to as Capital Expenditures, these items, over $500/each, are expensed through annual Depreciation according to U.S. Tax Code rules:

- Real estate
- Leasehold improvements
- Vehicles
- Furnishings/Fixtures
- Equipment/Props

Owner's Compensation + Net Profit

Owner's Compensation + Net Profit is the most critical of all benchmarks: It determines the studio's overall profitability. This measurement combines the amount that the owner has taken out of the business as personal compensation (salary, draw or distributions) with the amount of profit or loss the business has recorded. Viewing these amounts together helps owners understand the reality of their profitability, making it much easier to recognize the dangerous practice of writing personal compensation checks above and beyond the ability of the business. This is apparent when you view the following example of a hypothetical photographer drawing a salary of $80,000, but whose business is carrying a $60,000 loss:

Owner's Compensation	$80,000
Net Business Profit (Loss)	($60,000)
Financial Results	$20,000

In other words, the owner of this business has achieved a financial result (or net gain) of $20,000 based on the $80,000 salary checks he cashed and the $60,000 he had to put back in the business to cover its losses. This is a long way from earning a salary of $80,000!

Another important reason for monitoring Owner's Compensation + Net Profit (Loss) together is that it allows you to compare the true profitability of one studio to another. The amount that one studio pays the owner(s) versus how much it allocates to profit can vary from studio to studio, making it difficult to draw meaningful comparisons in a survey such as this one. Therefore, the most useful universal measure of the financial performance of photography studios is Owner's Compensation + Net Profit (Loss), which is the key benchmark of this survey.

Owner's Compensation + Net Profit benchmarks reaffirmed in 2014 are as follows: 45% for Home Studios; 35% for Retail Studios.

View all the recommended 2014 benchmarks on p.30, and see the benchmarks at work in the tables and pages that follow, starting on p.8.

An Introduction to the 2014 Benchmark Survey and Findings - A Look Back at 2010/2011

Before it was released in 2012, the 2011 Benchmark Survey was eagerly awaited because it comprised the first and only study to reveal the toll taken on photographers by the "Great Recession," the sharp decline in economic activity that began worldwide in 2009. Three years later, with the U.S. economy technically out of recession, the 2014 Benchmark Survey again provides a first look at how participating photographers are managing in an uncertain economy that still casts shadows on many small businesses in the retail and service sectors.

Facing Facts and Figures

According to the U.S. National Bureau of Economic Research (the official arbiter of U.S. recessions), the Great Recession began in December 2007 and continued for the next 19 months, ending officially in June 2009. Now recognized as the largest economic downturn since the end of World War II, it is not surprising that the 2011 Benchmark Survey revealed a sharp decline in sales compared to those of participants in the previous 2008 survey.

All Home Studio participants saw a decline of 30.6% of sales: from an average of $143,562 in 2007 to $99,568 in 2010, completely wiping out the gains, and even plunging below the baseline of 2004 participants' sales, which were $129,394.

The average Sales of participating Retail Studios declined by 26.9%, dropping from $281,988 in 2011 to $206,031 in 2010, well below 2004 participants' baseline sales of $238,689.

More Than Just a Recession . . .

It is reasonable to argue that the recession's impact on sales was magnified because its timing converged with other forces brought on by the photography industry's transition from film to digital capture. By 2005, both professionals and amateurs had embraced digital cameras, and even the most successful pros were beginning to feel the aftershocks of this seismic shift:

- Easy-to-use digital cameras lowered the barrier to entry into photography, and many hobbyists stopped patronizing professionals, preferring instead to create their own "good-enough" images, while a rising class of "prosumers" began to compete with well-established studios.
- Younger consumers gravitated toward a more photojournalistic style of photography that did not impose years of study and practice to learn posing and lighting skills required to produce classical portraiture.
- Along with prosumers, a sudden influx of women — mostly those with young children — began to establish home studios, resulting in double the number of working photographers in a market that was shrinking rather than expanding.
- Many of these newly minted photographers were entirely self-taught and unaware of how to price their work and sell it. By not valuing their time, many undercut prices of established pros, not recognizing that these low prices could not sustain a profitable business, which in turn destabilized parts of the market and caused widespread consumer confusion.
- Economic pressures and the fear of cash flow disruption kept many studios from investing in strategic marketing activities, which are essential to stability during a recession. Instead, they gravitated to Internet marketing and the relatively new and less-costly social networking media to carry their entire marketing message. While both are helpful, they have proven to be only one small slice of the marketing pie and not sufficient to sustain businesses weakened by recession and competition.

Together, these economic and evolutionary factors created a veritable "perfect storm" of far-reaching implications for those who earn a living through photography, and they formed the backdrop against which the 2011 Survey drew its observations and conclusions.

A Welcomed Silver Lining

What could have been a story of nothing but catastrophic losses in sales for participants in the 2011 Benchmark Survey was instead a much broader narrative that was cause for some optimism. Ultimately, it confirmed the value of PPA's Benchmarks as a management tool that could steer studios through difficult times.

Most significant was the fact that the 2010 results produced record-breaking bottom-line productivity in the form of increased Owner's Compensation + Net Profit percentages. In spite of deep declines in sales, all survey categories offset some of the losses by closing in on, and in some cases outperforming, Cost of Sales and General Expense benchmarks. All categories managed to lower both their Cost of Sales and General Expenses.

Best-Performing Home Studios saw 2010 Total Sales decline by 16.9%, falling from $228,782 in 2007 to $190,103; yet their Owner's Compensation + Net Profit declined by only 13.4%, allowing them to retain $95,239 in 2010 as compared to $109,977 in 2007 and $81,527 during the first survey year of 2004.

Best-Performing Retail Studios saw 2010 Total Sales decline by 6.3%, dropping from $326,882 in 2007 to $306,268; however, their bottom-line earnings actually increased from 38.6% of sales to 41.7% of sales, allowing them to retain slightly more in 2010 ($127,640) than they did in 2007 ($126,037), far better than their 2004 bottom-line earnings of $102,789.

Moving Forward: A Cause for Optimism?

The 2011 Survey best-performer figures were especially encouraging, as it is within this sector that the industry finds models to illustrate what is possible in good times and in bad. Yet it would be foolish to expect this single survey to be a predictor that photographers had weathered the worst fiscal and competitive crisis in memory. After all, the Great Recession has left in its wake a severely weakened economy that by 2010 had erased middle class income gains of the previous 15 years[1] and is generally considered to be the slowest recovery in the last 70 years. Other economic woes persist:

Unemployment concerns linger, as the labor participation rate continues to fall, (down 3.2% as of May 2014[2]), and as of November 2014, an estimated seven million part-time workers cannot find fulltime jobs.[3] Median household income is down 4.8%[4], and the slowdown of business startups may have permanently lowered the growth potential for new U.S. jobs. The housing market is far from stable, and the asset value of most homes remains depressed.[5]

These factors could possibly spell harm for photographers who rely on disposable income of content consumers, especially since many are paying off debt with that disposable income.[6]

It is with these industry and economic realities in mind that PPA began to review 2013 financial results of 2014 survey participants. Would they paint a picture of studios struggling to recover from ongoing decline or would they suggest that participants have moved on toward better days? What would it say about the viability of the benchmarks themselves?

With the answers to these vital questions at hand, it is reasonable to suggest that what the figures on the following pages reveal, along with the conclusions drawn from them, are likely to be as important as those from any survey that PPA has undertaken.

[1]Pew Research Center, "The Lost Decade of the Middle Class," (August 22, 2012).

[2]James Shirk, The Heritage Foundation, "Not Looking for Work: Why Labor Force Participation Has Fallen During the Recovery," (September 4, 2014).

[3]PBS News Hour, "Positive jobs report may not reassure Americans with part-time work," (November 7, 2014).

[4]Doug Short, Business Insider, "Everybody's Making Less Money Now Than They Were When The Recovery Began," (August 21, 2014).

[5]Don Lee, Los Angeles Times, "5 years after the Great Recession: Where are we now?" (June 22, 2014).

[6]CNN Money, "Recession ended 4 years ago: How far have we come?" (May 31, 2013).

Table 1:
All Home Studios Compared to All Retail Studios

2014 Survey (2013 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Home	110	$102,514	$43,355	40.0	1.4	3.8	6.4	19.9	4.9	36.4	23.8
Retail	93	$239,999	$77,933	33.3	4.1	12.3	5.0	15.1	3.0	39.6	27.7

2011 Survey (2010 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Home	113	$99,568	$42,070	42.3	2.6	3.5	5.8	16.5	3.7	32.2	25.6
Retail	146	$206,031	$59,580	28.9	7.5	11.9	5.7	13.8	2.2	41.0	30.1

2008 Survey (2007 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Home	111	$143,562	$48,237	33.6	4.1	4.4	7.5	16.2	7.1	39.2	27.2
Retail	139	$281,988	$64,588	22.9	9.8	10.6	6.9	14.1	3.8	45.1	32.0

2005 Survey (2004 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Home	69	$129,394	$32,977	25.5	4.3	5.1	6.1	16.5	9.2	41.2	33.3
Retail	111	$238,689	$46,036	19.3	10.1	11.1	6.5	14.8	6.2	48.7	32.0

Observations

- The first indication that photographers who participated in the 2014 Benchmark Survey have begun to turn the corner from losses they suffered due to the Great Recession's impact, as well as the industry's internal evolution, is shown in the Total Sales of both Home and Retail Studios: Home Studios raised their 2010 sales slightly from $99,568 to $102,514, while Retail Studios made a substantial jump from $206,031 to $239,999.
- Analysis of Owner's Compensation + Net Profit is even more confirming of emerging stability: Home Studios increased their 2010 bottom line from $42,070 to $43,355 and proved that their extraordinary bottom-line percentage jump from 33.6% in 2007 to 42.3% in 2010 was no fluke: They came close to equaling it at a healthy 40.0%. Retail Studios improved their bottom-line performance by increasing 2010 results from $59,580 to $77,933, which moved them closer to the Owner's Compensation + Net Profit benchmark of 35%: They raised that key percentage from 28.9% in 2010 to 33.3%.
- Home Studios again bested their Retail Studio counterparts in Cost of Sales percentage, improving their outstanding 2010 results of 25.6% by outperforming the 25% COS benchmark with a 23.8% outcome! Furthermore, they stayed within every General Expense Benchmark except for the Administrative Expense category, which registered 19.9%, causing them to exceed the Total General Expense Benchmark of 30% by 6.4 percentage points. Nevertheless, their overall performance proves that Home Studios can function well in a still-sluggish economy by paying close attention to PPA Benchmarks.
- The overall performance of Retail Studios is extremely encouraging! By staying within or under all General Expense benchmarks to register a 39.6% Total General Expense percentage, retail studios have bettered the 40% General Expense benchmark for the first time in the history of the survey. What's more, they turned in the best ever Cost of Sales percentage at 27.7%, moving it within striking distance of the 25% benchmark. As the Cost of Sales benchmark is one that can be controlled by lowering these costs, via price hikes or higher average sales, Retail Studios have it within their power to achieve the kind of stability a business needs to remain profitable over time by paying as close attention to their Cost of Sales and product pricing as their Home Studio counterparts have done in this and previous Benchmark Surveys.

Table 2:
All Home Studios Compared to Best-Performing Home Studios

2014 Survey (2013 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
All Home	110	$102,514	$43,355	40.0	1.4	3.8	6.4	19.9	4.9	36.4	23.8
Best Performers	23	$187,582	$101,415	55.0	1.5	2.0	4.3	11.8	4.1	23.7	21.1

2011 Survey (2010 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
All Home	113	$99,568	$42,070	42.3	2.6	3.5	5.8	16.5	3.7	32.2	25.6
Best Performers	21	$190,103	$95,239	50.1	2.5	3.9	3.7	12.6	3.7	26.4	23.5

2008 Survey (2007 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
All Home	111	$143,562	$48,237	33.6	4.1	4.4	7.5	16.2	7.1	39.2	27.2
Best Performers	31	$228,782	$109,977	48.1	2.7	2.9	5.4	11.8	5.4	28.1	23.8

2005 Survey (2004 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
All Home	69	$129,394	$32,977	25.5	4.3	5.1	6.1	16.5	9.2	41.2	33.3
Best Performers	20	$200,097	$81,527	40.7	4.0	3.1	4.0	11.8	8.9	31.8	27.4

Observations

The 2011 Benchmark Survey created a stir when it revealed that the Best Performing Home Studios had achieved a groundbreaking 50.1% Owner's Compensation + Net Profit. Some observers felt that this result might be a fluke at a time when studios were feeling the effects of three full years of recessionary pressure as well as increased competition. For businesses to retain over 50 cents of every dollar of sales seemed almost too good to be true, yet there were the figures for all to see. Therefore it was thrilling to learn that Best Performing Home Studios in the current survey actually bested the 2011's survey results in all the key Benchmarks!

- Best Performers in the 2014 Survey achieved an Owner's Compensation + Net Profit average of $101,415, resulting in a stunning bottom-line of 55% of sales retained, the best-ever performance recorded in the history of the Benchmark Survey. They did so by holding their General Expenses to 6.3 percentage points under the 30% benchmark, and annihilating the 25% Cost of Sales benchmark with another record-breaking performance of 21.1%, the lowest COS percentage in the survey's history.

- Best Performing Home Studios also managed to push their bottom-line dollars retained into the 6-figure area, rising from $95,239 in the 2011 survey to $101,415 in this one. While short of the 2008 pre-recession record of $109,977, the current total indicates that Best Performers are maintaining financial momentum. What's more, it proves that the 2011 Survey Best Performing Home Studio bottom-line percentage of 50.1% was not a fluke. In fact, it suggests that a 50% bottom line is now realistic for Home Studio owners who pay attention to PPA's Benchmarks.

- This table stands as historical evidence of the Benchmark Survey's worth as a tool that can guide photographers along a path to profitability. When it was released in 2005, the first survey showed that All Home Studio participants had retained a bottom line of 25.5% of sales. This performance improved to 33.6% in the 2008 Survey, to 42.3% in 2011, and held to 40% in the current survey. Best Performing Home Studios retained 40.7% in the 2005 survey, improving to 48.1% in 2008, to 50.1% in 2011, and to the extraordinary 55% revealed in this survey. Such steady progress is especially noteworthy when considering the disruptive context of the19-month-long "Great Recession," which began in December 2007, and the aftereffects of which are still being felt in many sectors of the economy.

Table 3:
All Retail Studios Compared to Best-Performing Retail Studios

2014 Survey (2013 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
All Retail	93	$239,999	$77,933	33.3	4.1	12.3	5.0	15.1	3.0	39.6	27.7
Best Performers	26	$322,417	$142,642	45.8	3.5	9.2	4.0	10.4	2.1	29.2	25.0

2011 Survey (2010 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
All Retail	146	$206,031	$59,580	28.9	7.5	11.9	5.7	13.8	2.2	41.0	30.1
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2008 Survey (2007 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
All Retail	139	$281,988	$64,588	22.9	9.8	10.6	6.9	14.1	3.8	45.1	32.0
Best Performers	29	$326,882	$126,037	38.6	9.6	7.8	5.4	10.8	3.4	36.9	24.5

2005 Survey (2004 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
All Retail	111	$238,689	$46,036	19.3	10.1	11.1	6.5	14.8	6.2	48.7	32.0
Best Performers	20	$278,159	$102,789	37.0	6.9	7.9	5.1	12.2	4.3	36.4	26.6

Observations

Like their Best-Performing Home Studio counterparts, 2013 Best-Performing Retail Studios reveal the power of benchmarks to influence business profitability by simply achieving and/or bettering key financial benchmarks. After years of lagging behind their Home Studio counterparts, the current survey reveals that in 2013 Best-Performing Retail Studios achieved the top financial results of any Retail Studios in the history of this survey by raising the 2010 Owner's Compensation + Net Profit percentage figure of $41.7% to a spectacular 45.8%! For Retail Studio owners to retain 45.8 cents of every dollar of sales would have been unthinkable a few years ago. And they accomplished this feat In an economy that still feels the stubborn aftereffects of worldwide recession!

- These outstanding results happened because of three major accomplishments by Best Performers: These studios boosted their sales from $306,268 in the previous survey to $322,417 in this one, and they finally hit the Cost of Sales target of 25%, which is a BIG first for Retail Studios! Furthermore, they cut their General Expenses even further than those in 2010, lowering them well below the recommended 40% to a stunning 29.2%, even managing to decrease employee expense significantly, lowering it 3.4 percentage points from 6.9% in 2010 to 3.5%. It takes excellent management skill to cut employee expenses in a period of increasing sales.

- The exceptional outcome of Best Performing Retail Studios should not obscure the gains made by All Retail Studios in improving the stability of the one survey sector whose productivity has consistently lagged behind all others. Its 2013 bottom line performance of 33.3% represents a huge improvement over its pre-recession 2007 result of only 22.9%. As the 2013 results are only 2.7 percentage points away from the 35% bottom-line benchmark, these studios could hit that target easily by reducing Cost of Sales to the COS benchmark of 25%.

- All things considered, Retail Studio owners in the survey have done themselves proud by achieving financial productivity that puts them on par with the Home Studios they have lagged behind in previous surveys, doing so with the benefit of increased momentum brought on by higher sales.lagged behind in previous surveys, doing so with the advantage of higher sales that result in higher bottom-line profit dollars.

Table 4:
Sales Volume Comparison — All Home Studios

2014 Survey (2013 Financials)

Home Studios by Sales Volume	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
A $0 - $75,000	53	$49,207	$17,601	35.8	0.9	3.9	7.0	24.7	5.0	41.6	23.3
B $75,000 - $150,000	36	$101,620	$44,496	43.6	0.9	2.8	6.2	16.9	5.3	32.1	24.3
C $150,000 & up	21	$238,584	$106,394	44.8	3.4	5.1	4.9	12.9	4.1	30.6	24.6
From Table 2: Best-Performing 2013 Home Studios	23	$187,582	$101,415	55.0	1.5	2.0	4.3	11.8	4.1	23.7	21.1

2011 Survey (2010 Financials)

Home Studios by Sales Volume	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
A $0 - $75,000	46	$48,407	$18,044	37.3	1.5	2.1	8.4	21.5	4.8	38.4	24.3
B $75,000 - $150,000	51	$102,595	$43,344	42.3	2.0	3.8	6.2	16.5	3.4	31.9	25.9
C $150,000 & up	16	$209,334	$103,522	46.9	3.9	3.7	3.8	13.3	3.5	28.2	24.9

Observations

Prior to the first Benchmark Survey, which was released in 2005, industry business instructors and consultants felt that when a studio of any volume size achieved a bottom-line profit of 35% of sales, it was a well-managed business. At that time there was no tool available to guide studio performance along a measured path of volume growth on the road to achieving well-managed financial performance.

The purpose of this table in the first and succeeding surveys is to present three levels of sales and profit performance of Home Studios to discern whether useful information could be gleaned that might predict performance patterns as Home Studios grow in volume. As we view results from the 2013 participants, comparing them to both 2010 Home Studio results at the same volume levels, as well as Best-Performing 2013 Home Studios, we can see that this table does indeed provide very helpful guidance for studios owners who wish to measure their growth performance against reliable standards.

- Category A – Prior to the First Benchmark Survey business instructors and consultants did not expect Home Studios to achieve profits until they were close to the $100,000 sales level. This survey, along with 2010 results, presents ample evidence that profit is possible at a much lower level of sales. In comparing the first level of volume of 2013 results to those of 2010, we see very similar outcomes, proving that even at sales levels nearing $50,000, Home Studio owners can return a profit if they strive to achieve or eclipse Cost of Sales and General Expense benchmarks.
- Category B – Like those in Category A, these 2013 results show very similar performance to 2010 Home Studio results: Each has doubled sales of businesses in Category A, and each has significantly improved bottom-line performance in terms of dollars retained ($43,344 in 2010 and $44,496 in 2013). Likewise, their bottom-line performance percentages, when compared to Category A, have moved much closer to the Owner's Compensation + Net Profit benchmark of 45% (42.3% in 2010 and 43.8% in 2013).
- Category C – In both 2011 and 2014 surveys, Home Studios achieving $150,000 or more in sales represent the smallest sector of the survey. Nevertheless, it is heartening to see that participants in both survey years achieved sales of over $200,000 and retained Owner's Compensation + Net Profits of over $100,000. In doing so, they earned more bottom-line dollars than the Best Performing Home Studios! While neither reached the lofty 62% bottom-line percentage of best performers, both years' survey participants in this category either came close to the 45% bottom-line benchmark (44.6% in 2013) or eclipsed it (46.9% in 2010).
- The figures shown here help to provide absolute clarity to Home Studio owners regarding the importance of sales volume and expense controls in creating and maintaining a profitable business. It also sheds light on the profit potential of Home Studios, which under normal circumstances cost less to run and often are less risky to create.

Table 5:
Sales Volume Comparison — All Retail Studios

2014 Survey (2013 Financials)

Retail Studios by Sales Volume	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
A $0 - $99,000	26	$73,091	$23,887	30.8	1.1	15.3	5.5	21.0	3.5	46.4	23.8
B $100,000 - $200,000	27	$150,917	$52,756	35.0	2.2	11.8	5.7	15.0	4.1	38.9	26.2
C $200,000 & up	40	$410,564	$130,779	33.9	7.3	10.6	4.2	11.2	1.9	35.3	31.4
From Table 3: Best-Performing 2013 Retail Studios	26	$322,417	$142,642	45.8	3.5	9.2	4.0	10.4	2.1	29.2	25.0

2011 Survey (2010 Financials)

Retail Studios by Sales Volume	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
A $0 - $99,000	39	$61,569	$11,356	18.4	1.5	20.0	7.0	19.8	5.1	53.4	28.1
B $100,000 - $200,000	48	$145,688	$45,395	31.2	3.8	12.1	5.2	15.9	3.1	40.1	28.7
C $200,000 & up	59	$353,170	$103,666	29.4	9.4	10.8	5.7	12.4	1.6	40.0	30.8

Observations

When the first Benchmark Survey was released in 2005, the most notable finding was that Retail Studios lagged far behind Home Studios in bottom-line Owner's Compensation + Net Profit percentages. While All Home Studios were retaining 26 cents out of every dollar, All Retail Studios retained only 20 cents. With the exception of best performers, Retail Studios continued to struggle in matching the performance of Home Studios to one degree or another. The most glaring concern has been their inability to keep Cost of Sales below the target benchmark of 25%, when their Home Studio counterparts were achieving this standard with ease. High Cost of Sales proved to be a stubborn problem for several sectors of Retail Studios in subsequent Benchmark Surveys.

Retail Studios began to show across-the-board benchmark improvements among those who participated in the 2011 Benchmark Survey. This finding was ironic, as these studios were performing better in a far more challenging economy. The 2011 survey presented financial results from 2010, the third year in which photographers had borne the full downward pressure of a stubborn recession. In spite of heavy sales losses, many Retail Studio participants managed to minimize their losses by controlling their costs, therefore improving their bottom lines over those shown in previous surveys.

The very good news in this survey is that most Retail Studios have made excellent progress in stabilizing their business models by much better control of their Cost of Sales. Significant improvements are clearly seen in the performance of Categories A and B.

- Category A – As was the case with Home Studios in the lowest volume category, we see that Retail Studios raised their Total Sales to $73,091 compared to the $61,569 earned by 2011 Survey participants. However the big news is that these studios more than doubled their bottom line profit of $11,356 to $23,887, lifting it well above the pre-recession performance of only $9,611 in the 2008 Survey. Best of all, this is the first time that Retail Studios in this category stayed within the 25% Cost of Sales benchmark, bettering it with a 23.8% performance!
- Category B – This volume category also achieved an uptick in sales from $145,688 to $150,917, eclipsing 2010 bottom-line results of $45,395 to finish at $52,756, which hit the Owner's Compensation + Net Profit target squarely at 35%. They did so by controlling General Expenses, outperforming the 40% benchmark by limiting these costs to 38.8%, which stands as the best performance ever in this category. With their Cost of Sales percentage at 26.2% (another best-ever performance) these studios made significant progress toward hitting the 25% COS benchmark. This can be achieved easily through cost controls, price increases or raising average sales.
- Category C – These studios achieved an outstanding revenue increase, registering Total Sales of $410,564 as compared to the $353,170 turned in by 2011 participants. This performance raised 2010's Owner's Compensation + Net Profit from $103,666 in 2011 to $130,779 for participants in this survey. Other good news is the best-ever performance in controlling General Expenses, outperforming the 40% benchmark by almost 5 percentage points at 35.3%.

  However, one Category C disappointment is Cost of Sales that are 6.4 points higher than the 25% COS benchmark, a clear indicator of either workflow inefficiencies or product-pricing problems. Fortunately, either situation is an easy fix, and doing so will move thousands of additional dollars to the studio's bottom line. Evidence of the need to solve this problem also is found in Table 7, Category C, in which the most experienced studios in the survey are compromising profits because their Cost of Sales at 30.3% does not meet the COS benchmark standard of 25%.

Table 6:
Years in Business Comparison — All Home Studios

2014 Survey (2013 Financials)

Home Studios by Years in Business	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
A 1-5	29	$76,944	$37,685	45.5	0.2	2.2	5.4	20.3	6.1	34.3	20.2
B 6-9	40	$117,439	$48,985	38.5	1.2	4.3	6.6	18.9	5.8	36.9	25.4
C 10 & up	41	$106,039	$41,872	37.7	2.4	4.4	6.8	20.7	3.2	37.4	24.9
From Table 2: Best-Performing 2013 Home Studios	23	$187,582	$101,415	55.0	1.5	2.0	4.3	11.8	4.1	23.7	21.1

2011 Survey (2010 Financials)

Home Studios by Years in Business	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
A 1-5	44	$80,030	$35,039	43.8	2.0	1.7	6.7	16.1	5.5	32.0	24.2
B 6-9	42	$102,308	$41,052	40.1	2.2	4.8	5.8	18.2	2.7	33.6	26.2
C 10 & up	27	$127,043	$55,149	43.4	3.9	3.9	5.0	14.8	3.0	30.5	26.1

Observations

The purpose of this table is to see how Home Studios perform financially as they move through specific stages of the business lifecycle — from earliest years through their maturity. Doing so can reveal both positive and negative growth trends and how they affect profitability.

- Category A – The 29 studios examined in this survey sector reveal the financial possibilities of newer studios (5 years and under). While their sales ($76,944) were slightly lower than those of their counterparts in the 2011 survey ($80,030), the 2014 participants achieved the best bottom-line performance of this category to date, with Owner's Compensation + Net Profit of $37,685. For the first time in the history of the Benchmark Survey, these studios reached and exceeded the 45% bottom-line benchmark for Home Studios by retaining 45.5% of sales. A key factor in their success was limiting Cost of Sales expenses to only 20.2% of sales, an achievement that shows these studios do not fear pricing their work aggressively to insure a good bottom line, and/or their production costs are under very tight control.
- Category B – While these 40 studios achieved an increase in sales to $117,439, they also experienced profit erosion caused by overspending in both Cost of Sales and General Expense categories. Their Cost of Sales registered 25.4%, only slightly over the 25% benchmark. However, their General Expense percentage was 36.9%, which is 6.9% over the 30% benchmark. Nonetheless, their Owner's Compensation + Net Profit of 38.5% (underperforming the 45% benchmark by 6.5 percentage points), managed to yield a respectable $48,985 bottom line for these studios. The deficiencies shown in this category can be corrected through increased sales and/or tighter control of expenses.
- Category C – The results of studios in this category show cause for concern. Their Total Sales registered $106,039, which is the lowest for this category in the history of the Benchmark Survey. What's more, their 37.7% bottom line of Owner's Compensation + Net Profit shrank from the 43.4% recorded in the 2011 Benchmark Survey, producing only $41,872, compared to $55,149 in the 2011 Survey. While Cost of Sales expenses at 24.9% nearly equaled the 25% benchmark, General Expenses were 37.4%, much higher than the recommended 30%.

  While there is no obvious reason for this performance decline, it's tempting to conclude that it is consistent with the tendency of some older studios to fall victim to the mature business lifecycle in which owners do not push as hard for business as they did during their earlier days. Whatever the case may be, these survey participants should take a hard look at their marketing plan to assure they are deploying sufficient resources to attract and hold the attention of their ideal clients.

  For studios in this category to get back on track, it will require more than just keeping a keen eye on controlling expenses; increasing revenue is essential for them to maximize profits and assure future financial stability. It's possible that they need to invest in a rebranding plan designed to reintroduce their business to existing clients and to attract new ones.
- It is heartening to see that the three categories in the survey, which represents studios in all lifecycles, either eclipsed or came very close to achieving the 25% Cost of Sales benchmark. It affirms the 2011 decision to reduce the Home Studios Cost of Sales benchmark from 35% to 25% because most were already achieving it or were very close to doing so.

Table 7:
Years in Business Comparison — All Retail Studios

2014 Survey (2013 Financials)

Retail Studios by Years in Business	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
A 1-5	13	$96,403	$29,306	27.2	1.8	18.0	7.6	18.9	4.6	50.9	23.9
B 6-9	35	$177,765	$68,928	36.7	3.3	10.6	4.3	15.9	3.3	37.5	25.8
C 10 & up	45	$329,886	$98,985	32.4	5.3	12.0	4.8	13.3	2.3	37.9	30.3
From Table 3: Best-Performing 2013 Retail Studios	26	$322,417	$142,642	45.8	3.5	9.2	4.0	10.4	2.1	29.2	25.0

2011 Survey (2010 Financials)

Retail Studios by Years in Business	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
A 1-5	34	$133,395	$42,559	32.0	4.2	11.2	6.2	14.4	3.9	40.0	28.2
B 6-9	50	$153,388	$44,252	29.0	5.4	14.1	5.4	15.2	2.8	42.9	28.3
C 10 & up	62	$287,469	$81,029	28.2	9.2	11.1	5.8	13.0	1.5	40.1	31.3

Observations

The purpose of this table is to see how Retail Studios perform financially as they move through specific stages of the business lifecycle — from earliest years through their maturity. Doing so can reveal both positive and negative growth trends and how they affect profitability. Unlike their Home Studio counterparts, the lifecycle of Retail Studios assumes a less predictable starting point. Home Studios in Category A (1-5 years in business) are nearly always less experienced businesses and can include part-timers; it is common to see lower revenues in their Total Sales results. In Retail Studios, however, most Category A studios are likely to be full-time businesses with enough experience, income and/or financing to support a separate location. Because of the higher costs associated with maintaining a retail studio, PPA consultants caution photographers against moving from home to a retail studio before there is adequate revenue to cover increased operating costs.

- Category A – The results for the 13 studios that comprise this category clearly illustrate why it is vital not to take on the higher General Expenses of a Retail Studio until revenues are sufficient to fund the new location's operations. In the previous Home Studio table, where Category A average sales were only $76,944, it was possible to hit the benchmark target of 45% in Owner's Compensation + Net Profit, which committed $37,685 to the bottom line. However, with the increased General Expenses of a Retail Studio, the 13 Category A participants here show a profit percentage of only 27.2%, yielding a bottom line of only $29,306, which is over $8,000 less than their Home Studio counterparts. If higher revenues were in place before the move to a retail space, the increased sales would most likely provide more bottom-line profit that would fund a far more stable operating environment.
- Category B – Any studio owner who has run a business for five years or more has learned a lot about what works and what doesn't. In viewing the results of participants in Category B, it is evident that they are experiencing the financial rewards that come from getting down to business and paying attention to benchmarks. Most notable is Total Sales performance of $177,765 turned in by the 35 Category B participants, which represents a far better performance than the $102,308 results of 2011 studios in this category. Best of all, they outperformed the Owner's Compensation + Net Profit 35% benchmark by 1.7 percentage points, yielding a bottom line of $68,928. If these studios pay special attention to the results achieved by Best-Performing Retail Studios in this survey, they are likely to continue on a path to increased profitability.
- Category C – Studios in this category also can learn from the results of Best-Performing Retail Studios in this survey, as they have failed to maximize their profitability. Given their impressive Total Sales of $329,886, these studios should have been among the best performers. Had they stayed within the 25% Cost of Sales benchmark, they could have achieved a bottom line of $116,470, which would have placed them firmly in the best-performer category. Instead, their 32.4% bottom-line left them with Owner's Compensation + Net Profit of $98,985. Nevertheless, these studios finished the year retaining nearly $100,000, which is a far better outcome than the $55,149 retained by 2011 survey participants.

The key issue preventing Category C studios from approaching the 35% bottom-line benchmark is their Cost of Sales spending of 30.3%, well over the 25% target. Best Performing 2013 Retail Studios' COS percentage results (22.8%) make it clear that this target is attainable, especially by studios with ten years or more history.

Table 8A:
Comparison By Business Type — Home Studios: Portrait & Weddings; Portraits Only; Weddings Only

2014 Survey (2013 Financials)

Home Studios by Business Type	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Portraits & Weddings	34	$111,332	$52,512	45.2	1.6	2.0	7.3	17.9	5.1	33.9	21.2
Portraits Only	53	$97,257	$37,327	35.5	1.7	5.0	5.8	21.2	4.3	38.1	26.5
Weddings Only	23	$101,593	$43,707	42.8	0.3	3.7	6.4	19.9	6.2	36.4	21.7
From Table 2: Best-Performing 2013 Home Studios	23	$187,582	$101,415	55.0	1.5	2.0	4.3	11.8	4.1	23.7	21.1

Table 8B:
Comparison By Business Type — Retail Studios: Portrait & Weddings; Portraits Only; Weddings Only

2014 Survey (2013 Financials)

Retail Studios by Business Type	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Portraits & Weddings	34	$217,273	$75,206	34.5	4.0	12.0	4.7	14.8	3.2	38.8	27.4
Portraits Only	54	$256,182	$78,849	32.6	4.6	12.8	4.9	15.0	2.5	39.8	28.2
Weddings Only	5	$219,754	$86,587	33.1	0.0	8.8	8.7	17.8	6.8	42.0	24.9
From Table 3: Best-Performing 2013 Retail Studios	26	$322,417	$142,642	45.8	3.5	9.2	4.0	10.4	2.1	29.2	25.0

Observations

These tables compare the results of Home Studios and Retail Studios that offer the dominant consumer services of Portrait and Wedding photography to the public as either individual specialties (Weddings Only or Portraits Only) or as both Portrait and Wedding services within a single studio.

- Sales for the three sectors of Home Studio participants were not wide-ranging, averaging from $97,257 to $111,332; however, the bottom-line dollars retained were significant: They ranged from a low of $37,327 to a high of $52,512, and the bottom-line performance percentage ranged from a low of 35.5% to a high of 45.2%. By studying each of the individual benchmarks in Table 8/A, you will see that the difference in bottom-line performance involves small increases or decreases, which illustrates what good benchmark management is all about: Identifying, monitoring and managing sales and expense areas in order to make small changes that add up to big profits.
- Of particular interest in Home Studio results are the Portraits & Weddings businesses, which outperformed the other two sectors in most key benchmarks in this category, including the bottom-line benchmark, by retaining 45.2% of sales. Cost of Sales (only 21.2%) was a key factor in achieving these favorable results. Weddings Only Home Studios also deserve mention for having come close to the bottom-line benchmark target of 45% by retaining 42.8% of sales.
- A matter of concern for Home Studios is the fact that each sector in this table exceeded the General Expense 30% benchmark, which cut into their profits. This was particularly damaging to Portraits Only studios, which fell almost 10 percentage points off the Owner's Compensation + Net Profit benchmark of 45%, retaining only 35.5% of sales.
- In the Retail Studios table we see that Weddings Only businesses, while not achieving the highest sales in this category, had bottom-line results of 33.1%, which came close to the Owner's Compensation + Net Profit target of 35%. This accomplishment represents the best performance by this sector in any Benchmark Survey to date. In staying within the 25% benchmark for Cost of Sales, their 24.9% performance was the best within this sector. The higher Cost of Sales of the Portraits & Weddings segment (27.4%) and the Portraits Only studios (28.2%) must be brought under control if these studios are to fully maximize the profits that their respectable sales levels and well-controlled General Expenses are making possible.

Table 9A:
Comparison By Geographical Location — Home Studios: Rural; Suburban; Urban

2014 Survey (2013 Financials)

Home Studios by Geographical Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Rural	19	$123,098	$46,585	36.2	1.1	5.0	6.9	20.7	3.5	37.2	26.6
Suburban	66	$100,343	$42,636	40.2	1.5	3.8	6.4	19.7	5.4	36.9	22.9
Urban	25	$92,602	$42,796	42.5	1.2	3.0	5.9	19.9	4.7	34.6	24.2
From Table 2: Best-Performing 2013 Home Studios	23	$187,582	$101,415	55.0	1.5	2.0	4.3	11.8	4.1	23.7	21.1

Table 9B:
Comparison By Geographical Location — Retail Studios: Rural; Suburban; Urban

2014 Survey (2013 Financials)

Retail Studios by Geographical Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Rural	15	$164,650	$60,804	33.3	4.8	12.5	4.3	16.7	4.0	42.3	24.4
Suburban	41	$247,219	$79,689	30.8	3.6	13.4	5.5	15.9	3.6	42.1	27.7
Urban	37	$262,545	$82,931	36.1	4.4	11.0	4.8	13.5	2.0	35.6	29.1
From Table 3: Best-Performing 2013 Retail Studios	26	$322,417	$142,642	45.8	3.5	9.2	4.0	10.4	2.1	29.2	25.0

Observations

The purpose of viewing financial results of survey participants according to geographic location — rural, suburban and urban — is to see whether locality might have a bearing on the financial performance of consumer-focused photography businesses. The working hypothesis of the first survey, released in 2005, expected to observe a financial advantage for suburban studios, yet to date no advantage for location has emerged. While this is once again the case for this survey, some results are worthy of comment:

- By far the largest sector in this comparison is Suburban Home Studios, which dominated all others. This figure is not surprising given the number of home studios headed by women that have in recent years grown up in family-friendly suburban areas. For Retail Studios, the 41 suburban locations also comprise the largest segment, but by a much smaller margin compared to their Home Studio counterparts.
- In the Home Studio category the best performance in terms of bottom-line percentage came from Urban Studios, which interestingly had the lowest Total Sales average at only $92,602. Their Owner's Compensation + Net Profit of $42,796, or 42.5% of sales, brings them within striking distance of the survey's bottom line benchmark of 45%.

  While Rural Home Studios had the highest Total Sales ($123,098) and retained the highest profit ($46,585), they had the lowest bottom-line productivity percentage (36.2%), falling far short of the 45% benchmark. This happened because these studios slightly under-performed in the key 25% Cost of Sales benchmark (registering 26.6%) but, most notably, they overspent the 30% Total General Expenses benchmark by 7.2 percentage points.
- In the Retail Studios comparisons, Urban Studios came out on top in both Total Sales ($262,545) and bottom-line categories of Owner's Compensation + Net Profit dollars) ($82,931) and percentage of Owner's Compensation + Net Profit dollars retained (36.1%), making it the only Retail Studios category that reached and out-performed the bottom line benchmark of 35%. Had these studios managed to keep their Cost of Sales within the 25% benchmark, instead of the 29.1% they posted, then their bottom line would have been even more profitable.

Table 10A:
Comparison By Ownership Status — Home Studios: Couples Versus Individual Ownership

2014 Survey (2013 Financials)

Home Studios by Ownership Status	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Couple	32	$141,115	$64,393	41.0	1.5	3.6	6.0	19.3	5.2	35.6	24.5
Individual	78	$85,037	$34,724	39.7	1.3	3.9	6.5	20.2	4.8	36.7	23.6
From Table 2: Best-Performing 2013 Home Studios	23	$187,582	$101,415	55.0	1.5	2.0	4.3	11.8	4.1	23.7	21.1

Table 10B:
Comparison By Ownership Status — Retail Studios: Couples Versus Individual Ownership

2014 Survey (2013 Financials)

Retail Studios by Ownership Status	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Couple	39	$297,739	$103,781	34.6	3.7	11.9	5.2	15.6	3.2	39.6	26.0
Individual	54	$198,298	$59,265	32.4	4.4	11.8	4.9	14.7	2.8	38.6	29.0
From Table 3: Best-Performing 2013 Retail Studios	26	$322,417	$142,642	45.8	3.5	9.2	4.0	10.4	2.1	29.2	25.0

Observations

This portion of the survey examines studios that reported their ownership model as an individual or a couple, with the dual-owner model defined as "a couple or partners in which both work full time, or at least put in a comparable number of work hours."

One of the most interesting findings of all Benchmark Surveys to date is the conclusion that studios run by individuals earn less than the recommended bottom-line benchmark for both Home and Retail Studios than those run by couples. With this survey you see a similar view of this "two-heads-are-better-than-one" conclusion, insofar as studios run by couples in both Home and Retail categories continued to outpace their counterparts in studios run by individuals in the important measurement of Total Sales as well as Owner's Compensation + Net Profit dollars retained. Other interesting comparisons include:

- Home Studios run by Couples posted higher sales ($141,115) than Best-Performing 2013 Home Studios ($116,722). What's more, the Net Profit dollars retained by them ($64,393) nearly doubled the dollars retained by those headed by Individuals ($34,724), and very nearly equaled those Home Studios in the Best-Performer category ($72,077).
- Retail Studios run by Couples eclipsed sales of studios run by Individuals by almost $100,000 ($297,736 compared to $198,298), and they retained bottom-line of $103,781 compared to only $59,265 retained by studios headed by Individuals.
- The most concerning aspect of the much lower performance by both Home Studios and Retail Studios of businesses participating in this survey that are run by Individuals rather than Couples is the dramatic increase (to well over 50%) of studios headed by individuals. In previous surveys, the numbers of Home Studios was not nearly so pronounced. If this differential represents a verifiable trend toward studios headed by a single-person ownership model, then there is reason for concern about the lower profit-making potential of this business model.

Table 11A:
Comparison By Proofing / Sales Method — Home Studios: Online; Projection; Projection & Online

2014 Survey (2013 Financials)

Home Studios by Proofing / Sales Method	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Online Sales Only	26	$86,175	$38,745	48.0	0.0	3.3	6.5	18.2	6.2	34.2	17.8
Projection Sales Only	45	$112,295	$45,036	35.8	2.1	4.0	6.5	20.9	5.4	38.9	26.0
Projection & Online	39	$102,121	$44,487	39.7	1.4	3.8	6.2	19.9	3.5	34.9	25.4
From Table 2: Best-Performing 2013 Home Studios	23	$187,582	$101,415	55.0	1.5	2.0	4.3	11.8	4.1	23.7	21.1

Table 11B:
Comparison By Proofing / Sales Method — Retail Studios: Online; Projection; Projection & Online

2014 Survey (2013 Financials)

Retail Studios by Proofing / Sales Method	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Online Sales Only	6	$234,427	$99,498	38.4	1.3	13.65	6.4	16.6	5.9	43.8	22.1
Projection Sales Only	59	$247,268	$82,475	33.9	5.4	12.6	5.0	13.7	2.4	39.1	27.4
Projection & Online	28	$225,876	$63,740	30.9	2.0	11.5	4.8	17.7	3.5	39.6	29.6
From Table 3: Best-Performing 2013 Retail Studios	26	$322,417	$142,642	45.8	3.5	9.2	4.0	10.4	2.1	29.2	25.0

Observations

The purpose of viewing financial results according to sales and proofing method(s) used is to determine whether one system or a combination of systems might affect financial results. This survey section has evolved considerably since the first one in which the categories included Paper Proofs, Projection Sales, and a combination of the two. The 2011 survey changed those categories to Online Sales Only, Projection Sales Only, and a combination of Projection Sales and Online Sales. By then, paper proofs had all but disappeared; digital projection was on the rise as it produced much better sales and client satisfaction; and the industry was seeing a trend among newer photographers to use online sales exclusively for client proofing and sales because of its perceived expediency.

More information will be needed before it would be wise to draw conclusions as to the best means of proofing and selling, not only for specific types of studios, but also for specific product lines. There is ample anecdotal evidence that studios are experimenting with different ways to use online technology for remote portrait consultations and sales. However, quantifying the ultimate outcome of these experiments will be difficult to accomplish, as additional information will be needed regarding the types and numbers of sessions/events and sales averages for each. For the time being, however, some observations can be drawn from the Best Performers segments of both Home and Retail Studios:

- As there was much diversity in the business models of Best Performing Home Studios in terms of years in business and types of businesses, and a larger percentage was using online sales, it is reasonable to compare Total Sales averages of studios using online sales exclusively with those making at least some use of projection sales. Of the 21 best performers, 6 studios that used Online Sales Only had average Total Sales of $81,817, whereas the 15 studios that used Projection Sales or a mix of Projection and Online Sales achieved Total Sales averages of $130,684. These results again support the narrative that projection sales are likely to produce higher sales averages, especially if they are paired with sessions that involve consultations, such as custom portraits, which benefit from in-person previewing and sales.
- All but 2 of the 28 Best-Performing Retail Studios reported using either Projection Sales Only or a mix of Projection and Online Sales. One of these studios is a weddings-only business, and the other is a mix of wedding and portraits. These results bolster anecdotal reports that online sales typically yield lower sales averages than projection sales, with the exception of wedding and event photography. With most weddings and events, a minimum purchase level of sales is already in place, and the online reach to additional buyers can help to expand sales totals.

Table 12A:
Comparison By Products Offered— Home Studios: Prints Only; Prints & Digital Files

2014 Survey (2013 Financials)

Home Studios by Products Sold	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Prints Only	19	$108,557	$43,538	34.9	2.8	4.8	6.3	20.6	4.6	38.9	26.1
Prints and Files	91	$101,252	$43,317	41.1	1.1	3.6	6.4	19.8	5.0	35.8	23.4
From Table 2: Best-Performing 2013 Home Studios	23	$187,582	$101,415	55.0	1.5	2.0	4.3	11.8	4.1	23.7	21.1

Table 12B:
Comparison By Products Offered— Retail Studios: Prints Only; Prints & Digital Files

2014 Survey (2013 Financials)

Retail Studios by Products Sold	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
Prints Only	35	$243,732	$79,612	34.9	6.0	11.5	4.8	14.0	2.0	38.3	27.4
Prints and Files	58	$237,746	$76,920	32.3	2.9	12.8	5.2	15.7	3.6	40.3	27.9
From Table 3: Best-Performing 2013 Retail Studios	26	$322,417	$142,642	45.8	3.5	9.2	4.0	10.4	2.1	29.2	25.0

Observations

This product comparison table is a first-time addition to the PPA Benchmark Survey. Its purpose is to observe the impact of sales of digital files on an industry that traditionally has earned the bulk of its revenue from the sale of prints of various sizes and finishes.

For a number of years, sales of digital files have sparked fierce debates between photographers who opposed offering files for sale under any circumstances and those who felt that, due to market pressures, they had no choice but to sell them.

Of late, however, this debate has died down as individual photographers have found a variety of approaches to make digital files available to clients, doing so, they believe, without compromising sales. These ways and means are as diverse as gifting some low-resolution files to clients for their use on social media to making files available as an incentive to purchase higher-level packages or when a minimum purchase level is met.

This survey offered participants the option of selecting "Digital Files Only," however none selected this alternative. This is not surprising, even though some photographers advertise that they are strictly "digital photographers" who produce files only. Anecdotal reports suggest that some photographers who have tried out this model have come to recognize that print sales more than make up for the workflow and sales session time they save by offering digital files only. Whether or not selling digital files exclusively becomes a viable business model for professional photographers will most likely be determined through future PPA Benchmark Surveys, but for now we can make the following observations based on the 2013 financial results of this survey's participants:

- Home Studio participants are opting to sell both prints and files by a large margin: Only 19 studios (17%) sell prints only, while 91 studios (83%) offer a mix of prints and digital files. The gap is not quite so wide for Retail Studios: 35 studios (38%) sell prints only, while 57 studios (62%) offer a mix of prints and digital files.
- The bottom-line Owner's Compensation + Net Profit outcomes for both categories of Home Studios, as well as those for Retail Studios, are too close to draw any conclusion that one model is superior to the other from a financial standpoint. This might change in future surveys, but for the time being, it would be wise for all studio owners – if they are not already doing so – to take note of their monthly sales totals and sales averages in order to compare them to future results in this new sales environment that includes digital files in the product mix. This way they can quantify the effect that inclusion or exclusion of files has on their bottom line. Tracking sales results will help photographers adjust future product strategies to maximize their financial results as the market continues to evolve.

2014 Benchmark Survey Conclusions:

The PPA Benchmark in 2015: Forming the Foundation of a "New Normal"

It would be hard to imagine a more difficult economic environment than that faced by photographers who participated in the 2011 Benchmark Survey, which studied their financial results from 2010, as it was the third year in which they had felt the effects of "The Great Recession." Not surprisingly, that survey confirmed what photographers already knew: Revenues were off dramatically, and only those businesses that knew how to manage their expenses were able to minimize the damage being felt throughout the U.S. economy.

Even though the recession officially had ended in June 2009, the economy remained sluggish as PPA's accountants began studying 2013 financial records submitted for the 2014 Benchmark Survey; they did so in the hope that these financial statements would reveal improved results for the participants. The 2014 Benchmark Survey does, in fact, present good news, as it reveals overall improvements in nearly every category studied and in all key survey benchmarks!

While no single survey can pronounce that a given industry has rebounded from a recession that has proven to be as stubborn and far-reaching as the Great Recession, it does show that the average of the Home Studios and Retail Studios participating in this survey have found ways to make significant improvements over 2010 results. They have done so in an economy that few would call ideal, but which the survey results could argue represents the "new normal" for professional photographers.

Home Studio Highpoints

While Home Studio Total Sales averages for 2014 participants increased only slightly — to $102,514 compared to the $99,568 Total Sales of 2011 participants, this result is in fact a cause for celebration. Many observers had feared that 2011's bottom-line Owner's Compensation + Net Profit percentage of 42.3%, and especially the Home Studio's Best Performer's bottom line of 50.1%, might be flukes and as such would not be sustainable in future surveys. In fact, the 2014 participants came close, with a bottom line of 40% of sales to retain $43,355 as Owner's Compensation + Net Profit, and Best Performers retained $101,514 to achieve a remarkable bottom-line percentage of 55.0%!

Considering that 29 of the 110 Home Studios in this survey had been in business for 5 or fewer years, for the average of All Home Studios to succeed in retaining 40 cents out of every sales dollar represents outstanding performance. This is especially true when compared to the 33.6% bottom line turned in by pre-recession participants in the 2008 Survey, and it speaks well for the future stability of this survey sector.

The fact that the 23 Best Performing Home Studios could retain 55 cents out of every sales dollar puts these participants in a category so rare that common sense might reasonably question whether such performance could be duplicated in the future. However, the history of Home Studios in the PPA Benchmark Survey is one of outperforming previous results, so it seems that anything might indeed be possible.

Another Home Studio highpoint is the fact that All Home Studios managed to outperform the 25% Cost of Sales benchmark by posting a healthy 23.8% COS, and Best Performing Home Studios recorded an even better 21.1% COS, the lowest Cost of Sales in the history of the Benchmark Survey.

Home Studio Concerns

It is hard to find much fault with the Home Studios that participated in this survey when consider how far they have advanced in the key benchmark of Owner's Compensation + New Profit since the first PPA Benchmark Survey was published in 2005. The average bottom line of All Home Studios has risen from 25.5% of sales to 40.0% of sales, and the bottom line of Pest Performing Home Studios has advanced from an average of 40.7% of sales to 55.0% of sales. However, it is important to note that that sales numbers for both categories of Home Studios in 2013 remain below those of the participants in the first survey, which captured data from 2004.

While All Home Studios in 2004 averaged sales of $129,394, All Home Studios in 2013 averaged sales of only $102,514; and while Best Performing Home Studios in 2004 averaged sales of $200,097, Best Performing Home Studios in 2013 averaged sales of $187,582. Had sales of 2014 survey participants kept pace with the outstanding improvements made in controlling both Cost of Sales and General Expenses, these studios would have reaped even higher bottom-line dollars. Increasing sales remains a significant challenge for studios in this survey and throughout the industry.

Given the steady increase in numbers of photographers advertising as professionals, it is possible that lower annual sales might be a reflection of the industry's post-recession "new normal," because the majority of these new businesses open as Home Studios. For the record, PPA membership has grown by 89% from 2004 to 2013 , which coincides with the Benchmark reporting years and provides relevant context regarding the growth and scale of competition during this time period.

Ideally, Home Studios that learn from this survey will continue to maximize their ability to control costs while at the same time pay closer attention to strategic marketing in order to boost sales and gain the increased profits that will follow.

Retail Studio Highpoints

The 2014 Benchmark Survey is likely to be remembered as the one in which All Retail Studios made the financial gains necessary to put them on par with the Home Studios they have lagged behind in previous surveys, doing so with the advantage of higher sales that result in higher bottom-line profit dollars.
The 93 Retail Studio participants not only averaged sizeable increases in Total Sales at $239,999, compared to those of 2011 participants at $206,031 (an increase of 16%), they also improved their bottom-line performance by raising 2011 results of $59,580 to $77,933 (an increase of 30%). This outstanding accomplishment moved All Retail Studios much closer to the Owner's Compensation + Net Profit benchmark of 35%: They raised that key percentage from 28.9% to 33.3%.

By staying within or under all General Expense benchmarks, these 93 studios registered a 39.6% Total General Expense percentage, their best-ever performance in this area!

The 26 Best-Performing Retail Studios also bettered their 2011 sales of $306,268 by registering $322,417 in sales, an increase of 5%. They not only nailed the 25% Cost of Sales benchmark, they bested the General Expenses benchmark of 40.0% with a remarkable result of 29.2%. In the process, they achieved the best bottom-line percentage of Best-Performing Retail Studios in the history of the survey by bettering the 2011 Owner's Compensation + Net Profit percentage figure of 41.7%, raising it to a spectacular 45.8%For any Retail Studio owners to succeed in retaining 41.7 cents out of every dollar of sales would have been unthinkable a few years ago. To do so while still feeling the effects of a stubborn recession represents an extraordinary breakthrough.

Retail Studio Concerns

In each of the three previous surveys, Cost of Sales had been a glaring problem for All Retail Studios. In spite of repeated warnings that these businesses could not maximize their profitability without coming closer to the 25% COS benchmark, participating Retail Studios could not break through the 30% level, let alone reach the 25% target. Thus, it is very encouraging that All Retail Studios in the 2014 Survey trimmed more than 2 percentage points off their Cost of Sales to post a 27.7 COS result, which helped to support the outstanding gains made by most of the Retail Studios in this survey. Some of the Retail Studio subgroups included in this survey managed to meet and even eclipse the 25% Cost of Sales benchmark.

However, several Retail Studio sectors are still struggling to bring down their Cost of Sales, and it is concerning to note that the problem is prevalent among the most experienced Retail Studios. For example, Category C of the Retail Sales Volume Comparison ($200,000 and up), shown in Table 5, registered a Cost of Sales of 31.4%, which is 6.4 percentage points higher than the 25% COS benchmark. Likewise, Category C of the Retail Studios Years in Business Comparison (10 years and up), shown in Table 7, turned in a Cost of Sales of 30.3%, which is 5.3 percentage points higher than the benchmark.

Given the outstanding progress made by All Retail Studios and Best Performing Retail Studios in this survey, it is clear that 2014 participants are paying attention to benchmarks. Going forward, they would be wise to concentrate on finally maximizing their profits by controlling their Cost of Sales, which can be accomplished by tightening or outsourcing workflow or by increasing prices.

Other Benchmark Observations:

- **From Table 4:** Twenty-one businesses proved that it is possible to achieve a bottom line in excess of $100,000 while working at home, as they registered an average Owner's Compensation + Net Profit of $106,394. See Category C of the Home Studios Sales Volume Comparison ($150,000 and up).

- **From Table 5:** Forty Retail Studios in Category C of the Retail Studios Sales Volume Comparison ($150,000 and up) retained Owner's Compensation + Net Profit of $130,779.

- **From Table 6**: The best bottom-line Owner's Compensation + Net Profit percentage performance by Home Studios in the Years in Business Comparison was achieved by the least-experienced sector (Category A: 1-5 Years in Business), which retained a bottom line of 45.5% of sales, slightly eclipsing the 45% benchmark.

- **From Tables 6 and 7:** Home Studios in the Category A (1-5 Years in Business) out-paced their Retail Studio counterparts in both bottom-line dollars and percentage of dollars retained: Home Studios retained $37,685 (45.5% of sales), whereas Retail Studios retained only $29,306 (27.2% of sales). However, Retail Studios dominated Total Sales and bottom-line dollars retained in the Category C (10 Years and up). Retail Studios had Total Sales of $329,886 and retained bottom-line profit of $98,985, whereas Home Studios had sales of $106,039 and retained a profit of $41,872.

- **From Table 8**: Studios that offered a combination of Portraits and Weddings achieved the best bottom-line dollars and percentages for both Home and Retail Studios, compared to those that offered Portraits Only or Weddings Only: Home Studios slightly exceeded the Owner's Compensation + Net Profit benchmark of 45% with a 45.2% outcome. Retail Studios' 34.5% outcome placed them within .5% of reaching the 35% benchmark.

- **From Table 9:** Urban Studios achieved the best bottom-line percentage for both Home and Retail Studios, compared to those businesses in Rural or Suburban locations. Home Studios retained 42.5% of sales, slightly under the 45% benchmark, and Retail Studios retained 36.1% of sales, outperforming the 35% benchmark by 1.1%.

- **From Table 10:** Studios owned by couples continue to outperform those run by a single individual, and the numbers of studios headed by individuals in this survey has increased by 11% over the 2011 Benchmark Survey.

- **From Table 11:** Only 24% of Home Studios in this survey used online sales exclusively. Less than 7% of Retail Studio in this survey used online sales exclusively.

- **From Table 12:** Only 17% of Home Studios sell prints only, while 83% offer a mix of prints and digital files. Thirty-eight percent of Retail Studios sell prints only, while 62% offer a mix of prints and digital files. No studios in this survey sold digital files only.

10 Years of History:
What the PPA Benchmark Survey Reveals

PPA Benchmark History Lessons

Each of the four PPA Benchmark Surveys has contributed substantially to the industry's understanding of where PPA-member survey participants stand financially and how what the study reveals can help all photographers improve their financial outcomes. With each survey, that understanding has evolved to reflect an industry that the Benchmark Survey itself has helped to shape.

- The 2005 Survey determined that average Retail Studios were significantly underperforming the profit outcomes of their Home Studio counterparts.

- The 2008 Survey showcased across-the-board sales and profit improvements by Home and Retail Studios, suggesting that familiarity with the 2005 Survey and its benchmarks had made a positive impact on 2008 participants. Yet Retail Studios' bottom-line performance was still a problem, largely because of their unacceptably high Cost of Sales.

- The 2011 Survey confirmed the damage done by declining sales presumably brought on by The Great Recession's impact, yet it also revealed the fact that many studios lessened the erosion of their bottom-line profits by staying within designated expense benchmarks. Home Studios continued to outpace the profitability of Retail Studios by double-digit percentages, frequently achieving or bettering the Retail Studio Cost of Sales benchmark of 25%. Accordingly, the Home Studio Cost of Sales benchmark was lowered from 35% to 25% to acknowledge this reality, thus increasing the Home Studio bottom-line benchmark from 35% to 45%.

- The 2014 Survey not only affirmed that its participants had begun to recover from the devastation of The Great Recession, but also it revealed insights into "the new normal" of an industry adjusting to internal as well as external change, including the impact on sales of digital files.

While recording a post-recession turning point, the 2014 PPA Benchmark Survey also marked its 10th anniversary, a perfect time to reassess some of the most important lessons gleaned from the four surveys and to consider how business owners can use what the Benchmark Survey teaches to be even more aggressive in reaching and sustaining profitability. The following topics present these reflections:

- **The Reliability of PPA's Benchmark Survey**
- **The Home Studio vs. Retail Studio Decision**
- **Sales Volume and Success: Creating a Roadmap and a Timetable**
- **Outsourcing: Back to the Future**
- **The Critical Need for Strategic Marketing**
- **Single Owner Studio Concerns**
- **Learning to Live with Digital Files**

The Reliability of PPA's Financial Benchmarks

For those wishing to assess the reliability of PPA's Financial Benchmarks as guideposts for helping photographers improve their profitability, they need to look no further than the bottom-line results achieved by PPA-member photographers who participated in the four surveys published over the Benchmark's 10-year history, beginning with the first study in 2005 and ending with this most recent survey, which was published in 2015.

This 10-year period encompassed both good times and bad, including the 19-month-long "Great Recession" (December 2007 through June 2009), which is now recognized as the largest and longest economic downturn since the end of World War II. In spite of such precarious times, the four surveys that spanned the last ten years reveal steady improvement in the most important benchmark of all — the bottom-line Owner's Compensation + Net Profit, which is expressed as the percentage of sales retained by studios after all business bills are paid.

The table below shows how that percentage has increased for Home Studio and Retail Studio survey participants as well as the "Best Performers" in each of the two categories. These results prove that when businesses stay true to the key Cost of Sales and General Expenses benchmarks, they will maximize their bottom-line profits, which in turn proves the worth of PPA's Benchmark Survey as a vital business management tool for photographers.

Financial Year Results	All Home Studios Owner's Compensation + Net Profit	Best-Performing Home Studios Owner's Compensation + Net Profit
2004	25.5%	40.7%
2007	33.6%	48.1%
2010	42.3%	50.1%
2013	40.0%	55.0%

Financial Year Results	All Retail Studios Owner's Compensation + Net Profit	Best-Performing Retail Studios Owner's Compensation + Net Profit
2004	19.3%	37.0%
2007	22.9%	38.6%
2010	28.9%	41.7%
2013	33.3%	45.8%

To fully appreciate the magnitude of the accomplishment that these figures represent, keep in mind that prior to the first Benchmark Survey, which was published in 2005, anecdotal evidence had led industry business instructors and consultants to consider any studio that achieved a bottom-line result of 35% or more to be a well-managed business.

Over the years, PPA Benchmark Surveys have demonstrated that both Home Studios and Retail Studios are capable of much higher levels of profit. The various tables within the survey have presented a range of business scenarios in benchmark format so that every studio owner can compare his or her financial results to those of survey participants.

PPA's Benchmark Surveys do not purport to represent the totality of financial results across the entire professional photographic industry; rather they profile the financial outcomes of identifiable groups of PPA-member photographers who have demonstrated what is possible within a variety of real-world business scenarios governed by realistic benchmarks. Accordingly, these scenarios can serve as reliable guideposts for photographers seeking to improve their profits. In reviewing survey tables, you will see that the difference in bottom-line performance often can be a function of small increases or decreases, which is what good benchmark management is all about: Identifying, monitoring and managing sales and expense areas in order to make small changes that add up to big profits.

Providing Clarity: The Home Studio vs. Retail Studio Decision

The 2011 and 2014 Benchmark Surveys provide an interesting opportunity to bring important clarity to the decision that many photographers eventually contemplate: Whether to remain in a home-based business to enjoy the benefits of operating from a lower-overhead situation or move to a retail location to exploit the potential of larger bottom-line earnings. While this decision often impinges on factors outside the realm of financial considerations alone, the results of these surveys offer relevant guidance for anyone who is considering a possible relocation from one type of location to another.

PPA's Benchmark Survey Conclusions consistently have stressed that photographers who wish to do business at a retail location should aspire to become Best Performers and/or be prepared to earn higher sales numbers. You can see why when you compare the All Retail Studios outcomes to Best-Performing Home Studios as shown below.

The message couldn't be clearer: Until you achieve a level of sales that is high enough to offset the increased expenses of a retail location, it is arguably better to be a Best-Performing Home Studio than it is to be an average Retail Studio. This possibility is supported in the examples that follow:

In the case of both the 2014 and 2011 Surveys, Best-Performing Home Studio owners took home more bottom-line profits from lower sales than average Retail Studios. The 2014 Survey shows that All Retail Studios retained only $77,933 from sales of $239,999, whereas Best-Performing Home Studios retained $101,415 from sales of $187,582. Likewise, the 2011 Survey shows that All Retail Studios retained only $59,580 from sales of $206,031, whereas Best-Performing Home Studios retained $95,239 from sales of $190,103.

These realities should most certainly be a part of the mix when determining when and how to change business locations.

2014 Survey (2013 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
All Retail Studios	93	$239,999	$77,933	32.5	5.7	10.4	4.5	12.0	2.4	35.0	33.1
Best-Performing Home Studios	23	$187,582	$101,415	55.0	1.5	2.0	4.3	11.8	4.1	23.7	21.1
Best-Performing 2013 Retail Studios	26	$322,417	$142,642	45.8	3.5	9.2	4.0	11.4	2.1	29.2	25.0

2011 Survey (2013 Financials)

Type of Business Location	# of Studios	Total Sales $$	Owner's Compensation + Net Profit $$	Owner's Compensation + Net Profit %	Employee (Sales/Admin) Expense %	Building Expense %	Marketing Expense %	Administration Expense %	Depreciation Expense %	Total General Expenses %	Cost of Sales %
All Retail Studios	145	$206,031	$59,580	28.9	7.5	11.9	5.7	13.8	2.2	41.0	30.1
Best-Performing Home Studios	21	$190,103	$95,239	50.1	2.5	3.9	3.7	12.6	3.7	26.4	23.5
Best-Performing 2010 Retail Studios	34	$306,238	$127,640	41.7	6.9	9.1	4.9	10.3	1.8	32.9	26.6

Sales Volume and Success: Creating a Roadmap and a Timetable

Newer photographers, especially those who have left another career before getting into photography, often want to know how long it will take to replace the salary of their former careers. They are nearly always disappointed to learn that it most likely will take longer than they thought, and they would be much happier if they had a roadmap and a timetable to guide them.

While it was never the intention of the Benchmark Survey to provide such a roadmap and/or timetable, the results of the 2011 and 2014 Surveys do provide enough insight to make some fairly safe predictions, at least about sales volume, which is the subject of Tables 4 and 5 in both surveys. When viewed alongside Best Performers, these tables offer sufficient evidence to create “profitability targets” for both Home and Retail Studios when they are well-managed and in keeping with PPA’s financial benchmarks. Such targets could serve as goals for growth performance set to a reliable standard. As such, they could be helpful to those who are serious about building a career in photography and achieving profitability sooner rather than later. Following are two volume scenarios in which benchmark examples suggest that specific levels of profitability are predictable.

Home Studios		Retail Studios
$75,000	Total Sales (100%)	$150,000
-$18,750	Cost of Sales (25%)	-$37,500
$56,250	Gross Profit (75%)	$112,500
-$22,500	General Expenses $	-$60,000
30%	General Expenses %	40%
$33,750	Owner’s Compensation + Net Profit $	$52,500
45%	Owner’s Compensation + Net Profit %	35%

What about a timeline for reaching these profitability targets?

Home Studios

Based on studying benchmark results over the past 10 years as well as working with hundreds of studios over time, a reasonable timeline to achieve the Home Studio profitability target would be between 2 and 3 years, depending on the experience, motivation, business education and initial marketing budget of the photographer.

Retail Studios

A timetable for reaching the $150,000 in sales target in a Retail Studio example is a bit more complicated to predict. An ideal scenario would be a photographer with the requisite motivation, business education and initial marketing budget who has gained enough experience in a home-based business to have grossed at least $50,000 in Total Sales. Experience shows that an annual marketing budget of at least $5,000 would help such a photographer reach the $150,000 sales target within 2 to 4 years.

Trying to predict financial outcomes for new businesses is tricky at best because so many variables are in play. However, using outcomes gleaned from PPA Benchmark Surveys to establish a sales volume goal in concert with a timetable for achieving that goal is likely to help studios realize financial success more efficiently. Following such a path would capitalize on one of the fundamental financial lessons learned from the study of benchmarks: The sooner a business can build sufficient sales volume from which to create a designated profit, the better its chances for achieving initial goals as well as establishing a basis for long-term success.

Outsourcing: Back to the Future

While it is clear that Retail Studio participants in the 2014 Benchmark Survey made outstanding strides in stabilizing the financial aspects of their businesses, it is concerning to see that some of the most experienced studios among them have compromised their profits because they did not meet the Retail Studios' 25% Cost of Sales benchmark.

It seems counterintuitive that studios that have been in business for 10 years or more and those that have achieved $200,000 or more in sales would fail to meet the 25% COS benchmark by 5 full percentage points or more (See Category C of Tables 5 and 7).

For experienced studio owners to manifest this problem is particularly frustrating because they most likely know that high Cost of Sales is a clear indicator of either workflow inefficiencies or product-pricing problems, with both being an easy fix: Rectify workflow inefficiencies, raise prices, or do both. The reward for doing so will add thousands of additional dollars to the studio's bottom line at sales levels that are typical of experienced studios.

When high Cost of Sales is a persistent problem for Retail Studio owners, it often is a symptom of inefficiencies connected to having an in-house employee doing routine workflow operations such as retouching. Because photography businesses often are seasonal or have operational peaks and valleys, it is smarter to control production costs by outsourcing as much production as possible. The Internet has made it easy to outsource all retouching, as well as image editing and even album design. It takes only minutes to email images to an outsourcer, and you will no longer have to worry about production inefficiencies once your outsourcer gets dialed in to your expectations.

Photographers often say they wish to do production themselves to be in control of their images, yet for more than a half century — from the middle of the 1900s, when color film was perfected — professional photographers outsourced their proofing, retouching, printing and print finishing to local and national color labs. This "Golden Age" liberated photographers from their black-and-white darkrooms and allowed them to spend more time marketing and managing their businesses as well as photographing more clients.

When professional photographers began to make the transition from film to digital capture in the late 1990s and early 2000s, many who had never retouched an image or added artwork to a print rushed to learn how to finish images using Photoshop. Little by little photographers came to accept the retouching responsibility as part of the digital transition, rather than outsourcing it to improve productivity. They did not consider how large a burden they were imposing upon themselves and how much it would compromise their ability to market and manage the business.

Fallout from the digital transition further complicated workflow because no longer did film processing fees impose a financial limit on how many images were created during a session. Novice photographers, and even experienced ones, began to replace the ten to twenty images expected from a single session with hundreds of exposures that added to the workflow nightmare.

The need to control shooting and outsource production is particularly acute for photographers who work by themselves. There simply are not enough hours in the day to personally undertake all of the income-producing activities and ordinary tasks that sustain profitability.

The alternative to lowering high Cost of Sales through production efficiencies such as outsourcing is to increase prices. This requires reviewing the time and materials that go into each product sold to establish its costs, then multiplying that dollar amount by a factor of 4 in order to achieve a 25% Cost of Sales. This should not present a problem for Retail Studio owners, as their Home Studio counterparts have impressively demonstrated the viability of doing so throughout this and previous Benchmark Surveys.

Keep in mind that price increases will most likely require increased investment in marketing strategies designed to attract clients with discretionary buying power as well as sales techniques that drive higher sales averages. If you have determined that your Cost of Sales is above the 25% benchmark but you don't want to raise prices, then give outsourcing a try. Very few strategies will improve as many aspects of your business as going back to the tried-and true strategy of production outsourcing!

The Critical Need for Strategic Marketing

The 2011 Benchmark Survey revealed outcomes suggesting that when photographers across the nation started to feel the impact of the "Great Recession," which commenced officially in December, 2007, they began to do the most logical thing they could in the face of declining sales: They cut their General Expenses. For some studios these cuts were long overdue in areas such as Employee Expense, Building Overhead, and non-essential Capital Investments.

While cost cutting in most areas is advisable in the face of an economic downturn, the one key function that no business can afford to cut when sales are declining and competition is increasing is Marketing Expense. However the 2011 Survey saw Marketing Expenses decline to levels lower than those recorded in the very first Benchmark Survey, and Retail Studios in the 2014 Survey cut their expenses even further.

It's likely that the sudden popularity of social media during the early days of the recession led many studios to believe they could save marketing funds by concentrating on social media exposure. However this marketing medium can take a business only so far when it comes to acquiring new clients and establishing the kind of brand recognition that is necessary for the business to succeed over time.

The 2011 Benchmark Survey Conclusions issued this warning: "Since the majority of studios participating in this survey need to address the issue of their sharp decline in sales, then they must be prepared to increase their investment in creative and compelling marketing strategies. This is especially true for those studios that are newer to the industry or those veteran studios that could benefit by rebranding or reintroducing themselves to both their customer base and to prospective clients in targeted marketing areas. Therefore, budgeting for ongoing marketing must now be a key management strategy for all studios that need to build or rebuild sales volume."

It is impossible to know how many photographers heeded this warning, but it is not likely that there were many if this survey is any indicator. It showed only a slight uptick in Marketing Expenses made by some survey sectors, while marketing funds spent by other sectors either remained static or declined.

The 2011 Survey also spoke to the importance of investing in strategic marketing in this statement addressing the eventual impact of expense-cutting on businesses with declining revenues: "Experience shows that business owners cannot continue to operate so close to the bone for extended periods or they will begin to suffer from business battle fatigue. Cutting expenses can go only so far, so the best way forward, as these studios look to the future, is to implement aggressive management strategies designed to increase sales volume."

To fully address the importance of expanding marketing efforts in order to boost sales, photographers should consider a top-to-bottom review of the marketing strategies listed below, then choose to implement those that hold the best promise for building sales volume in their key markets:

- **Studio identity marketing products** (business cards, thank-you notes, letterheads/envelopes, gift certificates, packaging materials)
- **Opportunity marketing materials** (promotional materials suitable to hand out when social or business opportunities present themselves to introduce your business such as business-card-size tri-fold brochures and "Be My Guest" cards.
- **Inquiry-fulfillment materials / client-education materials** (folder + inserts, product catalog, brochures, cards)
- **Relationship marketing strategies** (hospitality activities, frequent-buyer's program, referral program, client rewards)
- **Client-acquisition strategies/materials** (cards, brochures, booklets to use in direct marketing and through marketing partnerships)
- **Image displays** (in retail areas, stores, malls, professional offices)
- **Product marketing campaigns** (mailers, handouts, display cards)
- **Charitable marketing and fund-raising events**
- **Public relations/media strategies** (local newspapers, magazines, television)
- **Internet marketing strategies** (website, blog, social media, email marketing)

Single-Owner Studio Concerns

One of the most interesting sections of all Benchmark Surveys to date is Table 10, which examines studio ownership status by comparing Home Studios and Retail Studios owned by couples to those owned by individuals. The dual-owner model is defined as "a couple or partners in which both work full time or at least put in a comparable number of work hours."

Each of the four surveys has drawn the same "two-heads-are-better-than-one" conclusion: Studios run by individuals earn less than the recommended bottom-line benchmark for both Home and Retail Studios than those run by couples.

There appears to be a factor at work in studios headed by couples that is more than simply a matter of two people being able to double the work of one. When you speak to married couples or those who consider themselves to be life partners, you get a sense that a couple who share a commitment to both the business and to one another enjoy a relationship that is significantly different from that of an employer and an employee, even when the employee works the same number of hours as the employer.

It is common for couple-run studios to register higher sales — sometimes more than doubling them — and these studios typically outperform those headed by an individual in most of the key benchmark numbers.

However it is not these factors that make the subject of single-owner studios vs. those owned by couples worthy of comment in relation to 2014 survey results: It is the growing numbers of studios headed by individuals that is cause for concern. Whereas the first Benchmark Survey, published in 2005, involved 94 couple-run businesses and 86 individual-run companies, the 2014 Survey included only 71 couple-run studios compared to 132 individual-run companies. These figures verify what business observers have long recognized: An industry trend toward one-owner studios in which the owner often works without any paid employees at all. Given the lower profit-making potential of single-owner studios, this shifting demographic is definitely a cause for concern on two levels:

- It is never easy for even a low-overhead Home Studio to achieve sufficient revenue volume to become profitable without at least some help, and hiring even a part-time employee comes at some risk unless the hiring decision affords the owner an ability to achieve substantial sales growth.
- Working alone also can be detrimental to the owner's capacity to solve problems efficiently and creatively simply because there is no one on hand with whom to discuss business issues. All decisions, then, are made within the owner's single frame of reference and without the benefit of thought-provoking and problem-solving discussion.

Given the increasing numbers of new photographers entering the industry each year, it is unlikely that the numbers of single-owner studios will diminish. Accordingly, photographers must look for ways to be more efficient when working alone. Outsourcing as much production work as is possible will greatly improve productivity and control production costs.

To remedy the problem of working in isolation, one-person studio owners might benefit from creating a "buddy network" of one or more non-competing, business-minded photographers. Set up periodic telephone or on-line meetings with an agenda for problem solving and brainstorming specific issues. Under the right circumstances, a buddy network possibly could even share expenses for the design and printing of marketing campaign materials or the purchase of packaging materials.
Creative deployment of a buddy network potentially could go a long way toward enhancing the effectiveness of single-owner studios as they move forward in the "new normal" of a post-recession business environment.

Learning to Live With Digital Files

Few issues surrounding the transition from film to digital capture have been as contentious as whether or not photographers should make digital files available to consumers. Early on, most photographers opposed the practice because of its potential for reducing sales revenue to clients who could make their own prints from the studio's digital files. Many photographers also had concern about turning over files to consumers who had little or no knowledge about print finishing, which ultimately could damage artistic reputations when consumers made less-than-professional prints to give to their friends and family.

The advent of social media put even more pressure on photographers to make image files available for posting online. Eventually some photographers bowed to the pressure of consumers for whom control of "digital negatives" became a deal breaker if the studio refused to relinquish image files under any circumstances.

The pressure became even greater when novice photographers began competing against established professionals with a low-cost "shoot-and-burn" business model, with or without the option of low-cost prints.

These developments have sparked fierce debates throughout the industry, which from its very beginnings has relied on the sale of prints to earn the bulk of its revenues. In recent years, however, that debate has subsided as mainstream photographers have found ways to offer digital files to consumers without compromising sales.

Because of these developments, the 2014 Benchmark Survey provided the first opportunity to measure and report on how survey participants are approaching the issue of digital files, asking them to identify their business as one of the following models:

- Selling prints only
- Selling digital files only
- Selling a mix of prints and digital files

The results of this survey section reveal that most participants are making accommodations to clients who value digital files. In the Home Studio category only 17% sell prints only, while 83% offer a mix of prints and digital files.

The majority of Retail Studios also offer a mix of prints and digital files, but by a smaller margin than their Home Studio counterparts: 62% of Retail Studios offer prints and digital files compared to 38% that sell prints only.

Interestingly, not a single participant in the 2014 Survey has adopted the "digital files only" business model, which supports anecdotal evidence that some who tried it found they cannot sustain a business on the sales of files alone.

The bottom-line Owner's Compensation + Net Profit outcomes for both Home and Retail Studios that sell a mix of prints and digital files, compared to those that sell prints only, are too close to draw any conclusion that one model is superior to the other from a financial standpoint.

This survey's findings about participants who now sell a mix of prints and digital files confirm that indeed many studios are now finding ways to make the inclusion of digital files in their product offerings work for them rather than against them.

These ways and means are as diverse as the studios experimenting with digital file sales. They include:

- Gifting some low-resolution files to clients for their use on social media
- Making files available as an incentive to purchase higher-level packages or when a minimum purchase level is met.
- Including low-resolution files of each image purchased.
- Offering a slide show of wedding images at no charge when the client reaches a minimum purchase level.
- Including a slide show set to music in an upper-end senior package.

In the coming months and years, photographers who are experimenting with digital file sales should track their sales averages carefully so they can adjust future product strategies to maximize their financial results.

PPA's Industry Standard Financial Benchmarks (2015)

Percentages of Total Sales		
Home Studios		**Retail Studios**
25%	Cost of Sales	25%
30%	General Expenses:	40%
2-3%	Employees (Sales/Administration)	5-8%
3-5%	Building	8-11%
4-6%	Marketing	6-9%
12-13%	Administration	12-13%
3-5%	Depreciation	4-5%
45%	Owner's Compensation + Net Profit	35%

Sales Volume Benchmarks

Home Studios — Most Home Studios require a sales volume of approximately $ $100,000 - $150,000 to achieve a robust profit level.
Retail Studios — Most Retail Studios require a sales volume of approximately $200,000 - $300,000 to achieve a robust profit level.

Cost of Sales Benchmarks

Home Studios — no higher than 25% of Total Sales
Achieving a benchmark of 25% COS requires a mark-up factor for all Cost of Sales items of 4.0.
Retail Studios — no higher than 25% of Total Sales
Achieving a benchmark of 25% COS requires a mark-up factor for all Cost of Sales items of 4.0.

General Expenses Benchmarks

The higher General Expenses required to operate Retail Studio locations confirm these benchmarks:
Home Studios — General Expenses should not exceed 30% of Total Sales.
Retail Studios — General Expenses should not exceed 40% of Total Sales.

Owner's Compensation + Net Profit Benchmark

Home Studios — Owner's Comp. + Net Profit Target: 45% of Total Sales
Retail Studios — Owner's Comp. + Net Profit Target: 35% of Total Sales

Strategies for Achieving Financial Success

PPA's 2014 Benchmark Survey confirms many of the fundamentals espoused by PPA business instructors.
Following are some financial strategies that are consistent with survey findings:

Gain experience before you "quit your day job."

It takes time to build a successful photography business as well as many long and late hours learning to master all the complex and interrelated elements of business operations. These range from product development and workflow to promotion, sales and customer service. It helps to gain experience by working in the industry for someone else or operating a part-time business while still drawing a salary from stable employment. Keep that job until you can:

- Develop a following among your target market, which means actively gaining client referrals.
- Develop consistent cash flow from your part-time business. Most experts agree that a photographer should be grossing between $50,000 and $100,000 annually before it is wise to consider a full-time business.
- Create an efficient workflow that will allow you to deliver orders on time.
- Bank enough cash to live on until your business becomes profitable. This can take from two to five years.

Don't go into business until you are fully aware of all business costs. Even if you decide to operate a part-time business from your home, don't get started until you are aware of all costs of doing business and how many sessions or events you must photograph to cover these costs and earn a profit. PPA offers a one-time financial analysis for new studios grossing less than $50,000 per year if they attended a PPA Basic Business Class. This analysis includes a business plan that will help you get off to the right start by understanding your costs, setting up your accounts, and providing suggestions on how to build your business in its early stages.

Understand the advantages of the home-based business model.

Increasingly photographers are recognizing the advantage of operating a photography business from home. Among the plusses are: Home studios involve much less financial risk and pressure due to lower investment and operating expenses; these lower costs mean the photographer can earn an income comparable to his or her retail location studio counterparts by doing many fewer sessions, and being able to write off some home expenses as legitimate business deductions is an added financial bonus. Being close to home has certain advantages if the photographer is raising children or caring for elderly or infirmed loved ones, and many clients enjoy the private and less stressful atmosphere of a home studio over a busy retail location. Not every home lends itself to business operations because of zoning and/or image considerations. But when the home allows the business to operate in a professional-looking space that does not unduly intrude on the family's lifestyle, then a residential studio offers many advantages that should not be overlooked.

Budget your capital investments very carefully.

Too much debt is a key business killer. It is so easy to write checks and charge credit cards when you start a new business. Remember: Your business must be able to generate enough revenue to repay yourself (or your creditors) for the capital investments you make. Even if you have the cash to invest in capital items and don't have to go into debt, that cash may be needed to help you survive the early business years when most studios do not generate enough revenue for the owner to draw a salary. Once you have the essentials, a good rule of thumb is to purchase only those extras that you can pay for within 12 months.

Guard your cash.

Too many photographers manage their businesses "by checkbook balance:" If there is money in the checkbook, they spend it on extras; if not, they start to worry. A business plan that includes a cash flow forecast will help you to know when to expect lulls in your business that will require funding. Understanding the ups and downs of normal business cycles will help you to conserve cash to cover lean times.

Once you take the plunge, build business volume as fast as you can, doing whatever it takes to get clients in the door.

PPA's Benchmark Survey confirms what business authorities know: The difference between financial success and failure often turns on the ability of a new business to build sales volume quickly. That's why many recommend not starting a full-time business until you already have a loyal following from running a part-time business. Even so, a full-time business will require additional strategies for building sales. Get the word out any way you can: network with other businesses; sharpen your social media networking skills; host a series of open house events for different community segments; get involved with charitable organizations by donating photography to their fund-raisers; look for marketing partners to help spread the word; get displays of your work on the walls of retail businesses and/or professional offices; and even offer "invitational sessions" for the purpose of "expanding your website and advertising portfolio" or making samples. Building your business base early will establish sales levels high enough to sustain your business over the long term.

Develop a clear business focus that consumers can easily understand. Don't expect prospects to be attracted to your business if you fail to create a business concept that is easily understood by consumers or one that lacks compelling products to excite their fancy. Sometimes it pays to direct your new business to one or two niches, such as family and children's portraiture or wedding photography. Limiting your business in this way will help you to develop a strong focus that consumers can readily understand, and it will greatly simplify your marketing efforts.

Study effective marketing methods.

Learn how to create year-round marketing strategies designed to:

- Attract new clients.
- Market back to existing clients, finding ways to reward them for their loyalty.

A helpful resource for learning about marketing methods as well as helping you to create a marketing plan is *The Professional Photographer's Guide to Marketing Success*, available from Marathon Press at marathonpress.com or call (800) 228-0629.

Make sure you understand profitable pricing methods.

Learn how to price each product according to industry standards. Review PPA offerings on pricing as well as other pertinent topics.

Master effective sales techniques.

Develop selling plans for each product line, answering the following:

- Who will sell?

- How will they sell?
- Preview presentation policies?
- Sales incentives?
- How to conduct each type of sales presentation?

Among the most important sales techniques to master is selling by projection. This method allows consumers to see their images in the various sizes available for purchase; it gives the photographer total control over the sale; and it maximizes sales opportunities. Industry experience shows that most photographers at least double their sales when they implement preview projection. Most business experts agree that a planning session prior to the portrait sitting greatly facilitates sales at the projection session.

Use "managerial accounting" standards endorsed by PPA to track your business progress. When you set up your business books according to managerial accounting standards, you will gain insight into business performance that is not possible when your books are structured to provide only the information needed to pay taxes. The same managerial accounts can be used to calculate business taxes, but you will gain vital information from them to help make sound business decisions. By comparing your financial results to the benchmarks suggested by this survey (see p.31), you can make the changes necessary to achieve the best possible profit for your specific business model.

Hire an accountant who understands the photography industry.

The business of photography is far more complex than most accountants recognize. Often photographers don't receive the information they need because local CPAs or accountants do not understand this complexity and are not aware of tax-saving strategies open to small business. PPA's consulting service has accountants and management consultants that work exclusively with photographers. Learn more about PPA's consulting services beginning on p. 35.

Don't hire employees until your business can afford them.

Most business experts agree that it requires approximately $100,000 in additional sales to support a new full-time employee. It is not easy to run a full-time business without help, but the best-performing studios make the most of the help they employ. Often this means working long hours and/or accepting a helping hand from family members until the business is on its feet, and then hiring part-timers to keep payroll costs under control.

Outsource as much of your workflow as you can.

The best-performing studios in PPA's 2014 Benchmark Survey underscored the fact that employee costs must be controlled in order to benefit the studio's bottom line. Outsourcing production helps to do just that: Less production work is done by staff, which increases overall financial and operational efficiency.

Start a "Reinvestment Fund."

As early in your business as possible, set aside a portion of each sales dollar as a reinvestment fund for new capital expenditures. Photography today is very much a technological art. Technology is changing by the month, and it takes funding to keep up with new developments that can save time or expand your artistic horizons. Today most photographic studios write off 100% of their annual capital purchases, so it's more important than ever to fund those purchases through sales to clients. This is less likely to happen until you develop a reinvestment fund strategy.

Start planning for your retirement NOW.

Smart business people understand that income must be sufficient not only to cover your living expenses, but it also must provide for your retirement. Business owners have numerous retirement funding options, some of which provide tax savings. Learn about these early on so that you can see your retirement savings start to grow as early as possible.

Keep your business looking to the future.

Don't let your business fall victim to "Business Cycle Decline." Every year create a 12-month business plan consisting of, at the very least:

- Sessions and Sales Projection
- Expense Budget
- Income & Expense Budget
- Image-marketing Plan
- Action-marketing Plan
- Marketing Calendar

Expand your business education and keep current on industry and business trends. Attend continuing education programs offered by PPA and its Affiliates throughout the year. Industry-specific business programs offered by PPA include pre-convention business courses at Imaging USA, numerous Super 1 Day courses offered throughout the country and countless instructional videos offered to PPA members through PPAedu. Many PPA courses carry Merits that can be used toward completion of one or more PPA Degrees. To learn more about these events, visit **PPA.com.**

Annual Sales & Sessions Projection

One important component of studio management is the Annual Sales & Sessions Projection. PPA members can use the online tool, Square One, to state their income goal and in turn see how many sessions at what sales average is needed to achieve that income amount.

Sales and session projections are part of an annual planning process. Projections also can be based on the previous year's sessions, sales totals, and sales averages (presented by product line and marketing category), taking into account any adjustments the studio expects to make toward increasing or decreasing sessions and sales. This allows the owners to plan necessary product line marketing activities to support the financial projections, and it acts as a reality check on how many sessions the studio can reasonably accomplish at the current level of staffing. It also serves as a guide against which the studio can measure its sessions and sales progress throughout the year, providing an opportunity to react to business ups and downs in a timely fashion.

Product Line	Totals	January	February	March	April	May	June	July	August	September	October	November	December
Commercial Avg. Sale: $1,775	23,075	0	7,100	1,775	0	0	3,550	0	1,775	1,775	5,325	0	1,775
	13	0	4	1	0	0	2	0	1	1	3	0	1
Schools Avg. Sale: $9,625	38,500	0	0	9,625	0	0	0	0	0	0	19,250	9,625	0
	4	0	0	1	0	0	0	0	0	0	2	1	0
Seniors Avg. Sale: $1,200	69,600	1,200	6,000	10,800	14,400	4,800	0	3,600	12,000	2,400	4,800	8,400	1,200
	58	1	5	9	12	4	0	3	10	2	4	7	1
Studio Portraits Avg. Sale: $1,850	74,000	5,500	1,850	3,700	3,700	11,100	1,850	3,700	5,500	3,700	14,800	14,800	3,700
	40	3	1	2	2	6	1	2	3	2	8	8	2
Teams Avg. Sale: $1,100	22,000	6,600	3,300	1,100	1,100	0	1,100	0	4,400	2,200	0	2,200	0
	20	6	3	1	1	0	1	0	4	2	0	2	0
Totals	227,175	13,350	18,250	27,000	19,200	15,900	6,500	7,300	23,725	10,075	44,175	35.025	6,675
	135	10	13	14	15	10	4	5	18	7	17	18	4

Annual Expense Budget

The Annual Expense Budget is vital to financial accountability. This document should be part of an annual planning process that begins before the beginning of the next fiscal year. The budget is based on previous year's General Expenses. The expense-budgeting process helps owners confront the spending realities of every aspect of their business. This process is fundamental to controlling expenses and provides a vital management structure. By monitoring expenses each month, owners can react in a timely manner whenever overspending occurs and/or they can cut back on spending when revenues underperform their projections.

Category	Totals	% of Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
I Draw	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owner's Health Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owner's Salary	50,760	22.3	4,230	4,230	4,230	4,230	4,230	4,230	4,230	4,230	4,230	4,230	4,230	4,230
II Employee Expense	19,818	8.7	1,703	1,703	1,703	1,703	1,703	1,703	1,600	1,600	1,600	1,600	1,600	1,600
Payroll Check	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payroll Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IV Insurance	1,182	0.5	827	0	0	0	355	0	0	0	0	0	0	0
Maintenance	6,648	2.9	554	554	554	554	554	554	554	554	554	554	554	554
Property Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rent	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utilities	3,360	1.5	280	280	280	280	280	280	280	280	280	280	280	280
V Advertising	9,120	4	760	760	760	760	760	760	760	760	760	760	760	760
VI Accounting/Legal	2,200	1	140	140	140	140	660	140	140	140	140	140	140	140
Auto Expense	960	0.4	80	80	80	80	80	80	80	80	80	80	80	80
Education Expense	2,760	1.2	230	230	230	230	230	230	230	230	230	230	230	230
Interest	1,440	0.6	120	120	120	120	120	120	120	120	120	120	120	120
Office Expense	9,600	4.2	800	800	800	800	800	800	800	800	800	800	800	800
Postage	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Props/Accessories	5,040	2.2	420	420	420	420	420	420	420	420	420	420	420	420
Telephone	7,200	3.2	600	600	600	600	600	600	600	600	600	600	600	600
VII Depreciation	5,000	2.2	0	0	0	5,000	0	0	0	0	0	0	0	0
Totals	125,088	55.1	10,744	9,917	9,917	14,917	10,792	9,917	9,814	9,814	9,814	9,814	9,814	9,814

Annual Income & Expense Budget

This yearly Income and Expense Budget is essential to the annual planning process, which is completed before the beginning of the next fiscal year. It combines the Total Monthly Sales budget (see p. 35) minus Cost of Sales (based on the desired Cost of Sales percentage) to calculate Gross Profit. General Expenses (see p. 36) are then deducted from Gross Profit to arrive at the business Net Profit. The budget also combines Owner's Compensation with Net Profit to calculate the projected financial results for the coming fiscal year. In addition, the budget presents a summary of major General Expense functions so they can be monitored as a percentage of Total Sales. This helps bring into clear focus exactly how the business is spending its revenue.

	Totals	% of Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Sales	227,175	100	13,350	18,250	27,000	19,200	15,900	6,500	7,300	23,725	10,075	44,175	35,025	6,675
Cost of Sales	68,152.50	30	4,005	5,475	8,100	5,760	4,770	1,950	2,190	7,117.50	3,022.50	13,252.50	10,507.50	2,002.50
Gross Profit	159,022.50	70	9,345	12,775	18,900	13,440	11,130	4,550	5,110	16,607	7,052.50	30,922.50	24,517.50	4,672.50
General Expenses	125,088	55.1	10,744	9,917	9,917	14,917	10,792	9,917	9,814	9,814	9,814	9,814	9,814	9,814
Net Profit	33,934.50	14.9	-1,399	2,858	8,983	-1,477	338	-5,367	-4,704	6,793.50	-2,761.50	21,108.50	14,703.50	-5,141.50

General Expenses by Business Function	% of Sales	Costs
I. Owner's Compensation	22.3	50,760
II. Employee Expense	8.7	19,816
III. Services you buy from people not on your payroll	0	0
IV. Overhead expenses associated with your place(s) of business	4.9	11,190
V. Costs associated with bringing business into your studio	4.0	9,120
VI. Administrative costs of doing business in any location	12.8	29,200
VII. Depreciation	2.2	5,000

Owner's Compensation + Net Profit	37.3	84,694.50

Multiple-Year Income/Expense Comparison

The Multiple-Year Income/Expense Comparison compares the studio's Income / Expense results from the current year to those from preceding years. This allows the studio owner to compare his or her business progress over the past 24 months and to recognize specific business trends from one year to the next. It also compares the studio's financial performance to industry benchmarks (presented in the two far-right columns on the next page), providing studios with important insights into the quality of their business performance.

Income/Expenses	Projected 2014		Actual Dec 2014		Actual Dec 2013		Actual Dec 2012		Average Retail Studio		Top-Performing Retail Studios	
	$$	%	$$	%	$$	%	$$	%	$$	%	$$	%
Total Income	245,000		304,759		235,465		305,692		239,999		322,417	
Cost of Goods Sold	44,100	18	62,575	20.53	54,695	23.23	113,151	37.01				
Gross Profit	200,900		242,184		180,770		192,541			27.7		25.0
Expenses												
Administration Costs												
Accounting/Legal	4,880		6,209		6,431		4,100					
Auto Expense	8,160		7,347		7,859		16,903					
Education Expense	1,765		3,607		1,344		60					
Interest	-						900					
Office Expense	6,960		7,235		6,783		10,860					
Props & Equipment	2,400		946		1,376		1,764					
Taxes & Licenses	590		51		10		1,806					
Telephone	8,100		8,343		7,120		3,908					
Total Administration Costs	32,855	13.41	38,738	12.71	31,423	13.35	40,301	13.01		15.1		10.4
Employee Expense										4.1		3.5
Marketing	20,400	8.33	27,438	9	34,499	14.65	14,267	4.67		5.0		4.0
Depreciation	8,500	3.47	899	0.29	6,490	2.76	18,364	6.01		3.0		2.1
Overhead Costs												
Building Maintenance			556				124					
Property Taxes												
Rent	6,399		7,366		6,165		17,530					
Utilities					846							
Insurance	625		698		618							
Total Overhead Costs	7,024	2.87	8,620	2.83	7,629	3.24	17,654	5.78		12.3		9.2
Total Expenses	68,779	28.07	75,695	24.84	80,041	33.99	90,586	29.63		39.6		29.2
Owner's Compensation	96,000		136,800		107,936		88,841					
Net Income	36,121	14.74	29,689		-7,209		13,114					
Net Income + Owner's Compensation	132,121	53.93	166,489	54.63	100,729	42.78	101,955	33.35	77,933	33.3	142,642	45.8

About the Author

Ann K. Monteith, M.Photog., Hon.M.Photog. Cr., CPP, A-ASP, Hon.A-ASP, ABI, API

Ann Monteith is the industry's leading authority on studio business management and serves as a teacher and consultant to studios throughout the country both privately and under the auspices of major industry suppliers, including PPA's consulting services. Her marketing and management workshops have helped hundreds of studio owners dramatically improve the profitability of their businesses.

She is a former chairman of the Board of Trustees of the PPA International School of Professional Photography and past president of Professional Photographers of America (PPA), a former member of the PPA Charities Board of Trustees, and currently she serves as a PPA-Approved International Juror. She is the author or editor of numerous books and articles published by the industry press. She was instrumental in creating the Association's Business Initiative and its consulting services division. She is the author of the "Once Upon A Lifetime" children's portraiture client education program; and the PPA "AN-NE" award for marketing excellence was so-named to honor her (AN) and former PPA president Marvel Nelson (NE) for their efforts in improving the marketing skills of professional photographers.

Ann Monteith holds a B.A. degree in English from Bucknell University.

Awards and Recognitions

- The PPA Charities Legacy Award recognizing outstanding service and commitment to PPA Charities and philanthropic endeavors.
- The Helen K. Yancy Award for distinguished service to photography that represents "an achievement of service of far-reaching value." (2010)
- International Photographic Council's Leadership Award, presented at the United Nations (2008).
- First recipient of the Charles H. "Bud" Haynes Award "for distinguished service to PPA and its members for encouraging business awareness and practices in the field of professional image-making." (2006).
- Gerhard Bakker Award "for lifetime achievement and service through education in the field of photography and visual communications" (2002).
- PPA National Award presented by Professional Photographers Association of Pennsylvania (1998).
- PPA National Award presented by the PPA Minority Network (1996).
- Directors Award, presented by the PPA Board of Directors "in recognition of leadership and extraordinary services rendered in furthering the advancement and growth of professional photography" (1992)

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