Peter Eastway's Photo Business Handbook

Business Planning For Professional Photographers

PHOTO BUSINESS

BOOK 5

PETER EASTWAY'S

Business Planning For Professional Photographers

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12 INTERACTIVE BUSINESS PLAN TEMPLATES

INTRODUCTION

The concepts and ideas in this document have been presented to professional photographers around Australia and New Zealand in workshops and seminars. Participant response has been extremely positive, but only you can design the perfect business plan for yourself. If you're not trained as an accountant or a business manager, working out where to start can be a problem. This document will give you a host of ideas - pick and choose those that work for you, and adapt the rest as required.

This Business Plan does not go into cashflows and profit projections per se. These are best produced on a spreadsheet or accounting program using a computer. If you feel this is beyond you at present, talk to your bookkeeper or accountant. These documents are easily prepared, but only after you've developed the business plan on these pages.

Finally, a business plan is only as good as you make it. There's no point producing one and then putting it in a box and forgetting it. Your plan should be revised regularly and you must measure your results so you can see how you're going.

Failing to plan is planning to fail. Don't stop now!

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How To Use This Publication

1. Skim through the whole publication first to get an overview of what business planning is all about.

2. Allocate a couple of hours a day for two or three days next week and fill in the 12 worksheets as best you can. Write the times and dates in your diary. Make an appointment with yourself! If you're in partnership or you have a spouse, involve them in the planning process too.

3. Print out the workpapers and use a pencil. If you use a pen, you are an optimist, and that's not a bad thing. But a pencil and an eraser are better.

4. Optionally, you can fill in the forms on your computer. However, you can only do this if you have a recent copy of Adobe Reader or Acrobat installed as this is an Acrobat document. Just type away and some of the calculations will be done for you automatically.

If you're opening this publication with another type of 'reader' or 'viewer', you'll be able to see everything, but you may not be able to enter in the text and numbers to the worksheet, or the formulas in the worksheet may not work. In which case, open it up in Adobe Reader or Acrobat, or go back to Step 3 above!

NB If you are filling in the form interactively on your computer, some boxes are automatically 'calculated' based on what you have entered into other boxes elsewhere, sometimes on earlier worksheets. These boxes cannot be changed directly - you will need to go back to the boxes on the earlier worksheets and change them there. Boxes that cannot be changed are generally in black, while the boxes that can be changed are in blue.

If you're printing out the forms and filling them in with a pencil, then none of this matters, of course!

01 | The Big Picture

Business planning is an essential part of running all professional photography businesses. And you shouldn't be scared of writing a business plan. The worst that can happen is you don't quite reach your goal, but that's not all bad. If you aimed for 100% and only achieved 75%, that could be significantly better than the 25% you're doing now.

Think ahead a few years. How will you feel when you find yourself middle-aged or retired in the old folks' home, rocking on a chair on the verandah and wishing you had tried something different or been a bit bolder and given it a go?

Don't wait, act now. Business planning will help you optimise your opportunities in life. If you make a plan and follow it through, at least you'll know that you've given it your best shot – and that's all any of us can do.

Personal Vs Business

As self-employed photographers, we're really lucky. If we need to earn more money, we can work harder and/or smarter. We reap the rewards of our extra efforts.

Our 'business' life is the key to funding our 'personal' life. If you're spending 40 hours a week running your business, doesn't it make sense to use those 40 hours as intelligently as you can, so you can optimise your personal time?

However, we should separate our professional photography from our personal life. Our photography skills will generate [some of] the income we need to fund our homes, our families, our holidays and our retirement. If we want a more expensive standard of living, then our photography is the key to getting it.

Before you can start work on a business plan, you need to determine what you want from life. Where do you want to live, how much money do you want, how will you spend your years in retirement?

The first five worksheets in this business plan series look at 'personal life planning' – what do you (and maybe your partner) want from life? Take the time to create a clear picture in your mind as to where you want to be in the future – whether that's next year, in five years or in 50 years. Only with a clear vision will you be heading in the right direction.

This worksheet asks you to look at retirement, or if you're in your twenties or thirties, to look 20 years down the track. The idea behind this template is to show you how much money you need to save for retirement or the future you imagine – and this must become an integral part of your overall business plan.

There are two aspects to this template: your lifestyle in retirement and the money you'll need to pay for it.

Don't spend too much time working out exactly how much everything will cost (because we know it will change), just base your calculations on what you spend today - or what you'd like to be spending.

If your long term is retirement, hopefully by then your mortgage will be paid out and so you will have only rates and maintenance to pay, but no rent or mortgage repayments. Similarly, you won't be supporting your children, etc.

The funds you require for retirement will need to generate sufficient money to live on for the rest of your life. Naturally, you don't know how long you or your spouse are going to live, so these calculations are going to be an estimate at best.

Although we suggest your total retirement funds should be ten times your annual living expenses, many experts will suggest you require a lot more. At this stage, that's not really important. What we need to realise is that it's a big number! Use this as a starting point, or increase it now.

Note also that these figures are in current dollars. The actual amount you need in retirement will increase in line with inflation every year.

01 | Dream A Little ...

Time to dream a little! Don't hold back - push yourself further than you think you should!

If you are young, do this worksheet for 20 years in the future. If you are older, do it for your retirement.

How old will you be?	Age:	
How many working years do you have until then?	Years:	
Will you own your own house?	Yes/No:	

Describe your home and its location:

How will you spend your time in the future?

What annual income will you need to live on? $

(Complete the calculation column opposite to find your annual living expenses).

Funds invested needed to support this income: $

(Multiply your annual Living Expenses by 10. This is an absolute minimum.)

Divide this figure by the number of working years you have. $

(This gives you some idea of the savings program you need to reach your goals.)

Future Living Expenses

Weekly Expenses	**$**
Food	
Alcohol	
Personal Needs	
Entertainment	
Child care	
Education	
Hobbies	
Other	
Total Expenses Weekly	
x 52 for annual total	
Monthly Expenses	
Rent/Mortgage	
Clothing	
Electricity/phone	
School Fees	
Non-business car	
Medical	
Other	
Total Monthly	
x 12 for annual total	
Annual Expenses	
Council/Water Rates	
Home Maintenance	
Insurances	
Holidays	
Home Furnishings	
Presents/Gifts	
Health Insurance	
Income Tax	
Other	
Total Annual	
Grand Total	**$**

02 | Life Outside Work

Some people seem to enjoy every aspect of their lives. Others spend much of their time in a moribund stupor. As we live our lives, things can happen to us or around us that greatly affect the way we look at life, and while it might be trite to say, it's our attitude to life that makes the difference.

It's also interesting how many of us think (at least from time to time) that a better life is on the other side of the fence. There's even an economic theory (Duesenberry's Relative Income Hypothesis) that suggests, "People are not necessarily happier if they have more money. They do, however, report higher happiness if they have more relative to others."

Without going too deeply into economics, we can all take a few minutes to consider our lives, what they're like and what we'd like to change if we could.

At this stage of the planning process, it's important not to limit yourself to what you believe is possible right now. Dream a little. Dream a lot! If you want to work two days a week, write it down. If you want financial security with $500,000 in the bank, write it down. If you want to spend ten weeks a year skiing in Europe, write it down.

The next worksheet is designed to critically look at your lifestyle as it is today (the left column), and then describe what your ideal lifestyle would be like (the right column).

When imagining your ideal lifestyle, also consider what might be necessary to achieve it. For instance, if you desire a bank account with a million dollars, you may have to work very hard and possibly ignore the family to get it. Is this still your ideal when you look at the compromises that are necessary somewhere else?

When describing your ideal, dream and keep it realistic. Don't ask for 12 maids and a butler, but consider a live-in nanny and an ironing service if that's what you need.

There are five subheadings to prompt you, but you can describe any aspect of your life.

Family Life

How much time do you spend with your family? Is it enough or are you already spending too much time at work? What do you want to give them and share with them?

Health & Fitness

Do you exercise regularly? Do you eat well? Do you smoke or drink too much? Is there too much stress in your life and how can you relieve it?

Recreation

How much leisure time do you have? How do you spend it? What activities do you want to take up? Are there some adventures you wish to pursue? Holidays? Overseas trips?

Financial Security

Do you feel comfortable in your work? Do you have enough money in the bank to cover unforeseen emergencies? Are you saving enough now?

Ethics

Do you treat your family, friends and clients appropriately? How can you improve yourself?

It's amazing what you can do if it's important enough. For eight years when my children were young, I rarely worked on Fridays so I could spend time with them (and give my wife a break). I lost very little if any business, but I'm not smart enough to only work four days a week, so I spent time at night and on weekends catching up.

The point to realise is most dreams are attainable, but there are usually consequences and compromises elsewhere, so it's a matter of weighing them all up and planning what your future will look like.

02 | Life Outside Work

In this column describe your Lifestyle today:

Family Life

Health & Fitness

Recreation

Financial Security

Ethics

Use this column to describe your Ideal Lifestyle:

Family Life

Health & Fitness

Recreation

Financial Security

Ethics

03 | Your Starting Point

At this stage we have worked out two things: what we would like our ideal lifestyle to be, both in the near future and in the long term (either in another 20 to 30 years, or in retirement). We've also looked at some scary figures that show us how much we need in retirement.

To create a plan that will get us into this position, we first need a starting point: where we are today. The purpose of this worksheet is to look at yourself honestly and a little critically. Some of the questions you can answer easily, others might not be possible to answer if you haven't yet started business as a photographer. That's okay! Answer what you can.

Business Today

Being as objective as you can, describe what you're doing today. If you haven't actually started business yet, then you can describe what you'll be setting up with in the beginning. The questions are pretty straightforward - just be honest with your answers as you'll be fooling nobody but yourself.

Financial Questions

There are also a couple of financial questions tucked away in the corner of the worksheet - scary stuff for photographers! However, this information is pretty simple and, to be blunt, if you're in business, then you need to use and understand this information, even if you pay a bookkeeper to add it all up.

All of this information can be found on your most recent business income tax returns, the financial statements produced by your accountant, or your business software (if you keep your own accounts with a program like MYOB).

Let's explain what each term is:

Gross Income is the total value of the invoices written or cash received, plus any other income related to the business. Include all commissioned jobs, sales of photographs and prints, stock library sales, wedding albums, framed prints, etc. Do not include bank interest, dividends or rental property income. We're looking at your business only.

Direct Expenses are those costs you incur only if you do a job. This might be equipment hire, models, printing, albums and maybe a few DVDs or portable drives. Of course, add in your agent's fees (if not deducted already in the Gross Income figure), and travel directly related to specific jobs.

Gross Profit is Gross Income less Direct Expenses. This is the money you have left over after paying for all of the costs directly associated with a job, but before taking into account the overheads of running your business.

Overheads are those expenses you'd incur just by opening up the studio or being in business. They don't change much whether you do one job a year or 1000. Examples include rent, staff wages and equipment leases. We also include electricity, telephone and car running costs. It's true that the more work you do, the higher your telephone and car running expenses are likely to be, but the idea is to keep our analysis simple. Overheads are all the expenses that aren't direct expenses.

For the purposes of your business planning, exclude payments made to you and your spouse for wages or drawings. Any money left after all overheads are paid will simply be called **Net Profit & Salary**.

The **Gross Profit Percentage** is simply Gross Profit divided by Gross Income. Use your calculator. The **Net Profit Percentage** is Net Profit & Salary divided by Gross Income. We'll use these percentages later.

Here's an example to make it clear:

Gross Income	$100,000
less Direct Expenses	$ 20,000
= Gross Profit	$ 80,000
less Overheads	$ 50,000
equals Net Profit & Salary.	$ 30,000
Gross Profit %	80%
Net Profit %	30%

03 | Business Today

Describe your business (what type of photography, what part of the market, what style, what pricing, etc. - a general overview):

What are your best business skills (Are you good at photography, bookwork, invoicing, marketing, negotiating, selling, etc.)?

What types of photography do you sell (corporate, weddings, etc., but be more specific - photojournalistic weddings, or website corporate, etc.)?

What facilities do you offer? (Do you have a studio, all your own lighting equipment, an assistant, external services such as web design, etc.)

Who are your best customers? (If you don't have any, leave this blank, otherwise describe the people who spend the most with you.)

What are your best photography skills (Are you good at dealing with people and portraiture, are you better on site with engineers and architects)?

How good are you at marketing your business? (Be honest - you may need help!)

How do your customers perceive you in the market? (Are you cheap, good, expensive?)

Are you generally happy with your business? Yes / No

Is your business growing? Yes / No

(Complete the Profit & Loss Summary opposite – refer to your tax return or accountant's figures.)

Do you want to build and improve your business? Yes / No

Profit & Loss Summary

From Tax Returns		**Last Year**	**2 Years Ago**
Gross Income	$		
Less Direct Expenses	$		
= Gross Profit	$		
Less Overheads	$		
(Excluding Family Salary)			
= Net Profit & Salary	$		
Gross Profit		%	%
Net Profit		%	%

04 | Personal Goals

Although we've reached the fourth part of our business plan, we're still not ready to look specifically at our studio and photography.

Creating a successful photography business is usually just a means to an end. The reason we want a successful business is because it generates money for us to spend on our personal life.

How much does your business/studio need to generate for you to reach your personal goals?

We need to set ourselves a goal for personal spending, but in a somewhat realistic way.

By reviewing your income today and what you think you'll need (or like) in the future (say 3 or 5 years' time), you can put into perspective your general living expenses, how much you can save for the future, and what you need to cut back on.

By projecting yourself into the future, you can take into account future school fees, the move to a new home with a larger mortgage, a savings plan and so on. Or maybe you need to save for your adult children to give them a helping hand.

Obviously, these goals may require more income than you're earning now, so the business plan you develop later on will have to be designed accordingly. Don't worry too much about how you'll find the extra income yet, concentrate on setting your goals.

Step 1 – Current Spending

In this step you summarise your Current Spending. Be as accurate and as realistic as you can. You can check your results because if you're currently spending everything you earn, your income should roughly equal your expenses.

FAMILY INCOME is what's left over after you've paid all your business expenses (your net profit and salary), plus your spouse's income if he or she has a job outside the business, plus interest, dividends and rental income, etc.

From this you must deduct income tax. Example amounts of INCOME TAX are very roughly as follows for Australia in 2015. The figures assume the taxable income is evenly split between a husband and wife.

Family Income	Family Tax
$50,000	$ 3,000
$75,000	$ 7,000
$100,000	$15,000
$150,000	$30,000

These figures are rough guides only for the purposes of this worksheet (tax doesn't need to be super accurate at this stage). If you are single, double the family tax amount. And for overseas readers, if you don't know the tax amount, use these figures because, for the purposes of this exercise, they will work remarkably well. We're looking for the big picture, not fine details.

FAMILY EXPENSES are pretty straightforward. Some are easier to calculate on a weekly or monthly basis and multiply by 52 or 12 to get an annual figure.

Don't double count your expenses. If you claim your motor vehicle as a business expense, don't include it a second time as a family expense.

Step 2 – Your Future

Now dream about your future spending. Don't hold back – what would you like to be spending each year? How much would you like to spend on a family holiday? On retirement? On red wine?

Project your spending for five years in the future because this will give the next stages of your business plan some time to make it happen.

Start by projecting your expenses. Work from the bottom up. Once expenses are totalled up, it will give you an idea of how much income your business needs to generate to support you and your family. Now calculate what your income needs to be to balance your spending.

And don't forget to include some savings for your retirement. This simply must become a regular part of your family spending.

04 | Family Finances In 5 Years Time

FAMILY INCOME		STEP ONE – CURRENT			STEP TWO – FUTURE		
Business Net Profit (from last tax return - see Worksheet 03)							
Spouse's Other Income							
Investment Income							
less Income Tax (enter as negative number)							
TOTAL FAMILY INCOME							
less FAMILY EXPENSES							
WEEKLY	Food						
	Alcohol						
	Personal needs						
	Entertainment						
	Child Care / Education						
	Hobbies						
	Other						
TOTAL WEEKLY EXPENSES (multiply by 52 to get annual total)			x52			x52	
MONTHLY	Rent/Mortgage						
	Clothing						
	Electricity/Phone						
	School Fees						
	Non-business car						
	Medical						
	Other						
TOTAL MONTHLY EXPENSES (multiply by 12 to get annual total)			x12			x12	
ANNUAL	Council/Water Rates						
	Home Maintenance						
	Insurances						
	Holidays						
	Presents/Gifts						
	Health Insurance						
	General Savings						
	Retirement Savings						
	Other						
TOTAL ANNUAL EXPENSES							
TOTAL EXPENSES (Add weekly, monthly and annual together)							

TOTAL EXPENSES should approximately equal FAMILY INCOME. If not, rework your figures until they do!

05 | Stepping Stones

The first four worksheets of the business plan have really been setting up your personal budgets, working out exactly what you need to (or would like to) spend in your new lifestyle.

Although your business is the key to your personal life, before you can turn it on, you need to know what it's got to do in order to support your personal life.

On the last worksheet, you wrote down your 'dream' spending pattern and where you want to be 'tomorrow'.

Tomorrow can be 12 months away, or 12 years. These worksheets suggest you prepare a simple personal plan for up to five years.

Does your dream plan seem too hard to achieve? Are you thinking, 'This is not going to be possible for me?'

Most people feel exactly the same way. It can be scary to set down goals that look difficult to achieve. Most of us are also scared of failure, but let's look at it another way.

Let's say you're currently earning a salary and net profit of $50,000 per annum, and you want to earn $200,000 (based on the previous worksheet). Now, $50k to $200k is a big jump and it does look hard. However, we have five years to achieve this.

How would you feel if you first aimed to jump from $50k to $60k? That's just a $10,000 increase over 12 months. Surely that's possible by the end of Year 1?

For Year 2, step it up a little and set a jump from $60k to $80k, a step of $20k. In Year 3, jump up to $110k, for Year 4 aim for $150k and then finally in year 5, aim for your $200k.

By breaking down your large goals into smaller, achievable stepping stones, everything is possible.

Few people I know have jumped from $50k to $200k in one year. Most successful businesses take time to grow and as long as you have a goal, you have time to learn things along the way.

Think back five years. What didn't you know then that you know now? Look at how much you've learnt and developed – surely you're going to learn and develop more over the next five years? And some of that development will include learning how to run a more profitable business.

This worksheet has two parts to it. The first is personal finances and must be completed. The second is personal goals and you may only complete parts of it.

In the finance section (top), enter in your current income position first, and then your future income position at year 5 (refer to the previous worksheet, Family Finances, for the figures). Next, starting at Year One, enter in the stepping stones needed to reach your goal at Year Five. There's no science, just make the steps reasonable, getting bigger as the years proceed.

These figures are the foundation for your business plan. They show you how much your business has to grow or improve each year for the next five years.

How you achieve these stepping stones will be worked out when you prepare your business plan. (As a practical point, it is probably easiest to work in financial years, rather than starting from today, in which case Year One might be a little shorter than the other years.)

In the personal section there's room for setting some goals and objectives. It might appear like making New Year resolutions, but this shouldn't deter you from making them. Commit yourself and write them down!

Example commitments might be to spend more time with the family, start a get-fit campaign, or simply to be more considerate towards family and customers. Of course, you might also commit to staying fit and continuing to spend as much time as you do now with the family, even though your business is going to require more time and effort than you've given it in the past.

05 | Five Year Personal Plan

FINANCIAL STEPPING STONES

This comes from Worksheet 4, Business Net Profit, Current

This comes from Worksheet 4, Business Net Profit, Future

INCOME	NOW	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Business Wages & Net Profit:						
Spouse Income:						
Investments:						
TOTAL INCOME:						
Planned Annual Increase In Business Income:						

These are the increases in your business income and do not take into account your spouse's or investment income. We want to calculate how much extra your business needs to earn for you.

PERSONAL GOALS

FAMILY LIFE:

HEALTH & FITNESS:

RECREATION:

ETHICS:

OTHER:

DATE TO REVIEW THIS PLAN:

06 | Why Hire Me?

There are good reasons for making up a mission statement and working out your USP (unique selling proposition).

Mission Statement

A Mission Statement is a summary of what your business is all about. It describes your objectives and how you intend to reach them. It may or may not be directed at your clients, depending on your approach, although businesses that are customer-orientated usually do a lot better than those which are self-orientated.

A Mission Statement might sound a bit 'corporate' for a small photography business, but it sets the tone. As a suggestion, your mission should be a combination of providing value for your customers and profits for yourself.

An example Mission Statement might be:

To provide the highest quality, creative imagery with quick turnaround times and super friendly service.

This statement would affect your business planning because it may require you to further develop your skills as a photographer (so you do offer the highest quality), to have assistants available to ensure you can always provide quick service no matter how busy you are, and to instruct your staff to always smile at clients, even when the client is a pain to deal with!

While some companies turn their Mission Statements into marketing slogans as well, this is not necessary. However, creating a Mission Statement will get you to think about what the business is aiming to do.

Unique Selling Proposition

A USP tells your clients and potential clients what's in it for them. It's really important for you to have a good understanding of what you're offering your clients so you can answer their questions: Why should I hire you as my photographer? What do you offer that I can't get somewhere else? What's different or better about your photography or service?

An example USP might be:

I offer a distinctive and creative style of photography which is suitable for annual reports, corporate brochures and executive portraiture. I can shoot on location or in the studio and have the experience to handle any job. I also have special people handling skills that help me deal with everyone from the MD to the cleaner, and if you're not completely happy with the work I've provided, you needn't pay the bill!

Again, a USP like this might require you to upgrade your camera outfit, spend time developing new styles suitable for corporate photography, and cost out the effect of not being paid by some of your clients (hopefully only one or two in your lifetime!).

In the wedding and portrait market, a USP is more difficult to develop because there are so many other professionals in the market. You need to give some thought as to what you can do that separates you from everyone else.

Unfortunately, high quality photography and good services are not enough because they are not 'unique'. Even a 'distinctive' style may not swing clients – after all, if you're a professional, they expect your photography to be great.

When considering your USP, look around at your competition and see what they do. What can you do better? What areas don't they service? How do you react to the way they do business?

Then take a deep breath and ask your own clients what they like and don't like about the way you do business. A little bit of research can be very illuminating.

Before you get into the body of a business plan, you need to answer these questions very clearly. It will give you a focus for everything else that you plan to do.

06 | Mission Statement

USP

07 | How Many Sales Do I Need?

Based on your Personal Plan (the stepping stones on Worksheet 5), you have determined how much Business Net Profit you must generate to reach your Year 1 goal (your first stepping stone).

Now you need to determine how much Gross Income you need to reach this goal.

For instance, a moderate $10,000 increase in net profit (including your wages) from $50,000 to $60,000 may require a $25,000 increase in gross income (or sales), say from $100,000 to $125,000.

If you want your profit to go up by $10,000, it is unlikely you can just put up your prices. It is more likely you will have to shoot more jobs as well, and this extra work will incur extra expenditure.

So, to earn an extra $10,000 in profit may require you to sell $25,000 more photography, which after deducting $15,000 of extra costs (more marketing, extra prints and framing, extra staff, etc), leaves you with the $10,000 increase in profit.

Gross Sales

How much does your business need to earn this year to meet your Year 1 goal?

Determine this as follows by using last year's net profit percentage and a calculator.

STEP 1. From Worksheet 3 (Business Today - Last Year figures), transfer these figures to the first box on the next page. You really only need the Net Profit Percentage.

NB If you havent been in business before or don't have a net profit percentage, use 40%.

STEP 2. From Worksheet 5, grab the Business Wages & Net Profit figure from Year 1 on your 05|5 Year Personal Plan worksheet and enter it into the second column of the first box.

STEP 3. To determine the gross income required to meet your Year 1 net profit, divide your Business Wages & Net Profit figure from Year 1 by the net profit percentage.

For example, if your net profit is 30% and you need $60,000 to meet your Year 1 goal, divide 60,000 by .30 to get $200,000 required gross income.

This is a rough estimate and accountants do it differently, but it's a good starting point. Given we're looking into the future, there is no 100% accurate way of determining the sales you need. All we can do is calculate a 'best estimate', knowing that if our cost structure remains similar to what it has been in the past, then we should achieve our goals.

How Many Jobs?

Sit back and look at the gross income figure you've calculated. Can you do it? Don't say yes or no too quickly, but be prepared to revise your entire plan to ensure it remains realistic at all times.

One way of determining whether this gross income is realistic is to divide the required gross income by the number of jobs you did last year and see what the average invoice value is. Can you put your prices up or sell more to reach this figure?

Alternatively, what is the average value of the jobs you do now? Divide this into the required gross income and see how many jobs you need to do at the same rates. Is this feasible?

The answer probably lies somewhere in-between. You should also look at your costs and see where you can cut back.

Look at your major costs and see if there are suppliers who can offer better rates without sacrificing quality and service. If you change to another supplier, what other effects might this have on the way you do business: quality, service, speed?

Finally, break down your sales into weekly figures. If you need to sell $200,000 per year to reach your goal, how much is this per week?

Then each week keep score. Don't panic if for one or two weeks you don't meet your goal. The purpose of keeping score is so that you're constantly aware of your objectives, and by being aware, believe me, you will make better decisions to help you get there.

07 | Year 1 Financial Goal

What Gross Sales Do You Need?

Get Last Year's figures from the 03|Business Today Worksheet for the left column. You really only need the Net Profit Percentage.

Next, to calculate Projected Gross Income for this year, grab the Business Wages & Net Profit figure from Year 1 on your 05|5 Year Personal Plan worksheet and divide by the Net Profit Percentage.

	Last Year $	Projected $
Gross Income		
Direct Expenses		
Gross Profit		
Overheads		
(Excluding Family Salary)		
Business Net Profit		

Divide Business Net Profit by Necessary Gross Income to get Net Profit %

Divide Business Net Profit by Net Profit Percentage

From Worksheet 5, Year 1, Business Wages & Net Profit

Divide Business Net Profit by Gross Income to get Net Profit %

Net Profit Percentage %

This figure is the gross income or sales your business needs to earn in Year 1 of your business plan. This is your first goal.

If you haven't been in business before and you don't have a net profit percentage, then use 40% as a starting point.

How Much And How Many?

Your goal is to increase your income, but how? Will you increase how much you charge, or how many jobs you do, or a bit of both?

Gross Income Last Year [A]	$
Required Gross Income This Year [B]	$
Increase in Gross Income [B] - [A]	$
Total number of jobs you did last year [C]	
Average invoice value required for plan[B]÷[C]	$
Average $ value of invoices last year [A]÷[C]=[D]	
No. of jobs required for business plan[B]÷[D]	
No. of jobs required each week for business plan	

Where Can You Reduce Your Business Costs?

There's no point spending more than you have to. What areas of expenditure can be reviewed or trimmed?

Studio & Equipment Hire?

Printing, albums, photo books?

Utilities - electricity, telephone, internet, rent?

Assistants, staff?

Other?

08 | Who Is My Client?

With a financial goal in front of you, the most obvious way of reaching it is to get more customers in the door, but how do you get those new customers, and how can you get your current customers to spend more, or buy more often?

There are some obvious answers. First, you need to provide the market with what it wants at an attractive price (or, if the price is high, you need to package and present it so that the price appears to be attractive and good value for what is being provided).

Second, you need to tell this market that you exist and make it attractive for them to make contact with you.

This is all common sense, but many photographers set up a business and offer a style of photography that they find attractive, without checking if their market agrees. There's nothing wrong with this approach if what the photographer finds attractive matches what the market thinks is attractive too.

However, problems arise when the style of photography the photographer presents is out of fashion or not appealing to the market he or she is working in. For instance, in some markets many years ago, the studio portrait with the brown backdrop was looked upon as old-fashioned compared to the outdoor location portrait shot with available light. Studio-based photographers at this time found it hard to book sittings compared with location photographers.

After this time, the entire portrait market seemed to go 'location' and now there are some smart studios offering 'studio portraits' in a magazine style and doing very nicely. The studio portrait has come back into vogue, thanks to the many fashion magazines, and for a new generation of parents it is 'different' from the location portraits they had as children.

The point I'm making is that photographers need to offer a style and service that is attractive to the market they work in. If they aren't meeting the market, then either their sales will drop due to a lack of demand, or they must change their style and service so the market returns to them.

In professional photography, there's no point 'being an artist' and only shooting what you like to shoot. Do that sort of work on your days off. On business days, you're there for your clients and, within reason, you need to shoot images that will appeal to them.

The best way to determine what sort of photography you should provide is to ask your existing clients and to research the market. This means going out into the 'marketplace' and seeing what you can find. What is your market like? Who buys your basket of goods and why?

The more you can get inside your customers' heads, the better able to service them you will be.

And while you're looking at your market, take a look at what other businesses are doing. What are they offering or providing that you're not, and is it perceived by their customers as being valuable? How can you improve your service? Providing a better service is important not just for getting new business, but to be sure of keeping the business you already have.

Some basic demographics are also important. You're less likely to be able to charge high prices in a low-class market, so you may adapt your services to sell volume at a lower price instead.

Areas that are poorly serviced or not serviced at all may present themselves, especially if you take the time to actually speak to people and ask them first hand what they're looking for. Start with your current clients since you already know them and have an existing rapport.

You can also discover interesting information on the internet about your area's population, such as income range, age, nationality, profession and so on. All this information builds into a market analysis.

08 | Market Analysis

Describe the type of business I want to own (ignoring what my clients want):

Who are the customers for this type of business?

Do these customers want what I want to give them at the price I want to sell it? If the answer isn't yes, changes need to be made.

What sort of service and back-up is important to them?

What type of business is currently servicing these buyers? What do they do particularly well, if anything?

How can I provide a better service? How will I do this?

Is there a market niche I can fill that is not being serviced?

Is my existing customer base happy with my service? What do they like the most?

Are there other services I could offer them? What would these services be? Why would they be attractive to these clients?

Can I follow up old clients to see if they have any new needs?

09 | Writing The Business Plan

With an understanding of what the market is like and what it needs (or what it believes it wants), plus a good idea of what you need to do to achieve your personal goals, what are you actually going to do?

What plans are you going to make for your business?

This worksheet will probably be the hardest one you fill in, but a few hints might help you on your way.

For instance, if your business is basically going along okay, but needs a bit of a push, this will be the foundation for your plan: to give the business a push to reach your goals.

You have calculated what financial increases you need to achieve, and you know what the market is like. You can simply write this down and then say how you'll give the business a push.

Expanding your advertising and marketing, and self-improvement to learn new skills or techniques are two approaches taken by many photographers at this stage of their careers.

However, if you feel your business is running down a dead end, perhaps you need to decide on a new direction for the future.

Your strategy might be to move out of advertising photography and into portraiture, or from traditional wedding photography into a shoot-and-burn service that includes a multi-media album presentation.

Whatever your decision, you will need to plan how to make the transition, the changes needed for the business, the reception, staff training, new marketing materials and perhaps new selling skills.

If you find this worksheet difficult to complete, talk it over with your family, trusted friends or your accountant. As you explain your business and your desires, you may find you answer the questions yourself, or one or two comments from interested people will spark the direction you've been looking for.

Sample Business Plan

I live in a reasonably affluent area with lots of young families and I enjoy portraiture.

I am going to offer a family portraiture service, using prime lenses with apertures of f1.2 or f1.4 so I can produce distinctive individual portraits of children, with their eyes sharply focused and the background thrown into a romantic blur. I will shoot by available light or using the modelling lamp from my studio flash, and give clients the choice of being photographed in the studio, at their home or a location that means something to them.

All images will be captured digitally as JPEGs and raw files, and transmitted directly from the camera to my laptop. At the end of the shoot, I will give the family refreshments while I quickly load the photos into ProSelect software so the family can view and select their images immediately.

This should enhance the portraiture experience, seeing the images immediately, but knowing that the 'fine art' portraits will take longer to produce, print and frame.

After the shoot, the selected images will be finessed in Photoshop and then output to either a high gloss Fujiflex finish (using traditional photographic processing with The Edge Photo Imaging in Melbourne), or printed onto Canson BFK Rives matte paper using an Epson 9900 and archival materials.

09 | The Business Plan

This will possibly be the hardest part of the business planning process - what are you actually going to do as a professional photographer?

10 | I'm Available

Your business plan and your market analysis will identify where your work is going to come from, whether it is portraiture or advertising, whether you are shooting for the upper class at high prices or the middle classes at moderate prices.

The next step is to work out how you are going to physically contact these people and tell them you're available. You might have the best business plan on earth, you might take the best photographs, but no one will ever know unless you tell them.

There are lots of approaches you can take. You might want clients to ring you up and book over the internet after seeing an online advertisement, take up a special offer or promotion at a shopping mall or industry event, or invite them to visit your studio so they can see what you do and then allow you to pitch for their work.

Some marketing approaches for portrait photography have a deadline date to encourage customers to make contact, but this is not usually a suitable approach for an advertising or commercial studio where clients usually return with work on a regular basis. Mind you, having said that, if you're appealing to individual people within organisations, you can make offers that make it attractive for them to at least consider you in the future. As in all aspects of business, making contact is so important. Then, once that contact is made, your personality, your product and your offer may prevail.

Your marketing approach can possibly be broken up between current customers (who you're going to ask to spend more or spend again), and new customers.

New customers are a little more difficult to deal with because not only do you have to get them to buy the product, you have to convince them to buy it from you. In comparison, existing clients already know you and like what you do, so they may be a little easier to encourage.

A business plan is an overview, so this worksheet is not the place to get into fine detail. Just three 'strategies' are requested, outlining the basis of your marketing approach. You can produce more or less than three, this is just a suggestion.

Example strategies might be to use a direct email campaign to write to customers who have used you over the last two years, with a special promotion for further photography. The resources would describe who you need to hire to write the email and design the promotional piece, plus what you need in terms of photography, artwork and human labour to make the strategy happen.

Try to estimate the cost and give the promotion a budget. The budget must be in keeping with your projected profit and loss summary on your 12 Month Goals page (Worksheet 5). In other words, you can't commit to spending $20,000 on a marketing strategy without factoring it into your overall business plan (unless you spent $20,000 in previous years and so the amount is 'normal' for your business).

For new customers, your strategy will need to acknowledge that these people don't know you yet, so you may need to mention existing clients, awards you have won or perhaps how long your business has been established, so as to build up your credibility. You can also consider money-back guarantees if they don't like the work, special rewards if they book by a certain time and so on. You're not just competing against other photography studios, but against a wide range of goods and services.

You also need to build the foundations for future years, so another strategy could be to mount an exhibition of your personal work, or give an open day educating people about photography and organise lots of publicity, thus lifting your profile. However, both these are generally long term strategies, so make sure you have a second one up your sleeve to help you reach your 12 month goal as well.

10 | Marketing Approach

Current Customers

Strategy 1:

Resources:

Budget $:

New Customers

Strategy 2:

Resources:

Budget $:

Strategy 3:

Resources:

Budget $:

11 | What Will It Cost To Do?

Sometimes the process of planning makes you reassess a wide range of aspects, from the equipment you use to the decor of your premises.

After writing your Mission Statement and USP, you might feel a change of image is important, requiring a new website, stationery, signage and shop fittings. You might need a new display centre, a large-format inkjet printer, or to build the business you might need to put on new staff.

How much is all this going to cost?

Your Year 1 Financial Goal gave you an idea of the turnover you require, but it possibly didn't take into account other costs. This workpaper allows you to consider those other costs. They might add up to a lot more than you think, in which case it will be necessary to adjust your 12 Month Financial Goal. This is quite a usual part of the business planning process. As your ideas unfold, earlier ideas and estimates may need to be changed.

If the cost of your resources is going to dramatically increase, this isn't necessarily a reason for giving up. Most successful businesses have spent a lot of money to make money.

As a simple example, next time you're down at your shopping mall, look at the different shops and think about what you expect to spend when you walk into them. Many clothes shops, for example, are selling clothing with similar stitching and materials to cheaper stores, but the packaging and the decor in the shop help you rationalise the more expensive purchase.

When clients come to your studio, what do they expect to pay? What does the decor tell them? What does your equipment say? What about your staff, your dress, your car? And your website? All these issues, along with the marketing and, of course, the quality of your photography, play a big part in what clients are prepared to spend with you.

So, if your resources are going to cost a lot, you may have to change the way you acquire them (borrow instead of paying cash), or when you acquire them (introduce the business plan over two or three years so you can save up the money needed to fund the purchases).

For some costs you will have a choice of how you fund them. You can pay cash (use your savings), borrow the money (bank loan, hire purchase or lease), or in some cases, hire.

Some photographers are adverse to borrowing. They don't like the fear of not being able to make a monthly repayment if business were to fall off.

One way of handling this stress is to save or borrow a sum of money that can be thought of as a contingency fund. For instance, if running your business costs $10,000 a month (rent, staff wages, lease payment, loan repayments), you could put aside $30,000 in a bank account as a contingency fund. Then, if business suddenly dried up, you have funds you can draw down for at least three months while you consider your options.

If you don't have $30,000 (or however much it is) to put aside, you could possibly talk to the bank and arrange a line of credit so you can borrow it in the future should you need to. However, arrange the line of credit now while the business is going well, and not when you have a crisis and need it. Banks don't like lending money to businesses in trouble because they think a well organised business shouldn't be in trouble in the first place!

There could also be a need to rationalise how you spend your time. To increase your turnover may require you and existing staff to take more photographs, leaving the team less time for other duties. Perhaps you should hire some help for writing up the books, marketing the business or extra sales staff to help with the increase in customers.

11 | Resources

		Lump Sum Cost	Monthly Payments
Equipment		$	
		$	
		$	
		$	
		$	
Image/Marketing		$	
Shop/studio maintenance		$	
Shop/studio decor		$	
Stationery design		$	
Website design		$	
New portfolio		$	
Printing - stationery		$	
Printing - display prints		$	
Display albums/photo books		$	
Seminars & courses		$	
Advertising/promotion		$	
Staff/Labour			$
Assistants / Sales Staff			$
Marketing (rep)			$
Administration			$
Other			$

Calculate the amount to be paid as a lump sum:	$	
How much of this do you need to borrow or finance?	$	
Estimated monthly repayment of these borrowings (divide by 12):		$
Total Monthly Increase in Overheads (add In staff labour etc)		$

Your Year 1 Financial Goal may need to be adjusted to reflect these resource costs

12 | When Will I Do It?

It's one thing to write up a business plan, another to put it into action.

When are you going to get started?

To reach your goals, you need to discipline yourself. Don't just decide what needs to be done, determine when it needs to be done!

No matter how busy you get, make sure you achieve the deadlines you set here. If you make them realistic in the first place, there should be no problem because if you know what you have to do every week or month, you can plan your time accordingly.

Share this timetable (or as much of it that is appropriate) with your family or staff so everyone has the same commitment as you do.

To write up the timetable, put important milestones into date order. Planning, preparation and arranging finance have been put up the front. Others such as 'begin marketing', 'purchase equipment', 'order stationery', 'shoot extra jobs', and 'review progress' are up to you.

You can use this page as a 'to do' list where you write down everything that needs to be completed to achieve your business plan.

Estimate the time needed and write down a deadline date. Then tick off each milestone as it is achieved.

The Business Plan

When these worksheets are completed, you have finished all the hard work of producing a business plan. However, there's another step that you and your accountant or bookkeeper can take to make the plan even more realistic, and that's to produce a budget.

A budget is an accountant's business plan. It shows income, expenses and profit on a monthly basis for 12 months (or longer), and each month when your accounts are written up, you compare your actual figures to the budget. If your actual figures meet or exceed the budget, you take yourself out for a celebratory dinner; if your figures don't meet the budget, you spend the evening looking over the figures and the individual jobs, working out where you went wrong.

If you're not particularly good with figures (and most photographers are not), the job of comparing the budget to actuals should be delegated to a staff member or your accountant. However, when the results are finished, it's up to you to assess the results and work through what went right and what didn't!

Some people get very anxious when they have a bad month, but to be fair to yourself, one bad month isn't a problem. There can be many reasons that are outside your control, so the trick in business planning isn't getting too worried about a poor month (nor too happy about a good one), rather to assess your ongoing performance. Remember, the objective is to reach your budget and you have a full twelve months to do it. If you're behind at the end of month 3, that still gives you 9 months to catch up.

And what happens if you're behind at month 11 with no hope of making the budget in the final month? Well, you can just give up photography and apply for a job sweeping streets. Or, you can sit back and look at what you have achieved and give it another go. I know a number of very successful photographers who have failed several business ventures before finding the right one. The trick to successful business planning is perseverence. If at first you don't succeed, try and try again!

Finally, at the end of the year you may have met your budget, but felt you missed out on other aspects of your life, such as family, health and holidays. When preparing your next business plan, take this into account. Focus on what you want your business to be like. After all, you are the only person who can change it.

Business planning. It's up to you.

12 | Timetable

	Time Needed	Deadline Date	Completed
Planning			
Preparation			
Arranging Finance			
Review			