



Eric & Shawna Anundi

Image by Katie Rapoza for Eric John Photography

Eric and Shawna Anundi thought they were minting money, but their high cost of sales and misleading revenue numbers were dragging them into poverty.

How we did it

Eric and Shawna Anundi opened Eric John Photography in 1993 with the goal of becoming a premier wedding and portrait studio in the state of Oregon. Working out of their home in Stayton, they established a local clientele and saw their gross revenue grow steadily. With several Kodak Gallery and Fujifilm Masterpiece awards to his credit, Eric, the business's photographer, had the talent to draw high-end clients. To attract more business from that upper echelon, the Anundis moved into a commercial space in Salem in 2004.

"I wanted to take the business to the next level," says Eric. "Our immediate goal was to stay busy enough to pay the rent on our new studio, which cost \$2,000 more per month than our home studio. We knew we needed to expand and charge enough to justify the expense."

The Anundis thought they were in good shape. Every year, Eric set a new goal for the studio's gross sales, which consistently grew annually by 10 percent. Yet there was no money left by the end of each month. The lab expenses had to be charged to a credit card, and the balance would be carried over from month to month. "I was getting frustrated. The business was growing, we had happy customers, and there was a lot of money coming in, but where was it all going?" he says.

The Anundis knew they needed some help understanding their business finances. In early 2005, they contacted PPA Studio Management Services (SMS). When SMS compared the Anundis' 2003 and 2004 numbers to the PPA Benchmark Survey, they identified a couple of key areas that needed to be addressed.

SMS first determined that Eric John Photography's expenses were disproportionately high. Even though the business pulled in decent gross revenues—\$180,000 in 2004—the net profit was far below what it should have been. The Anundis' actual income was below the poverty level.

Expenses had to be curtailed by producing a budget, something the Anundis had never done. SMS recommended a strict budget for

2005 that limited equipment expenditure and showed how purchases relate to income. With a comprehensive plan to follow, Eric and Shawna were able to trim cost of sales by 3 percent, administrative costs by 3 percent and the biggest money-drainer, new equipment, by 11 percent.

"When you start using a good budget and analyzing your numbers, it helps you go from a hobbyist mentality to a business mentality," explains Scott Kurkian, PPA CFO and head of SMS. "A photographic hobbyist buys new equipment all the time, as if he's collecting toys. With a business mentality, you consider everything in relation to your overall financial picture. When you set a budget, the reward for not buying unnecessary equipment is a better bottom line."

The next item of concern was the studio's average sales numbers. Though they had achieved 10 percent growth in sales each year, the Anundis' sales actually dropped slightly from 2003 to 2004. Average sales needed to increase for the studio to generate a healthy profit. SMS addressed this issue by reviewing the Anundis' pricing and sales techniques.

One change was the addition of a projection sales room, which paid for itself in three ordering appointments. The couple also allocated all sales to a dedicated sales person. "If I have to sell, I'm done, because I give away everything," says Eric. "As an artist, I don't always see the value of my work, but a salesperson does."

Eric and Shawna set up a bonus system for their sales associate that rewards her for selling add-ons and upgrades. Previously there had been no structure for up-selling at all. Now they encourage bigger purchases by displaying an array of products and large prints. "It really works," says Shawna.

Eric John Photography now has specific divisions for the labor as well, in place of having all people do all things. Eric handles the photography and postproduction, Shawna tackles the business management, and the

sales associate does the selling. Each person now has the opportunity to excel in what he or she does best, and that's substantially increased the studio's productivity.

These changes helped Eric John Photography increase sales by \$40,000 in 2005, an increase of almost 25 percent. Factoring in the 17 percent reduction in costs from expense cuts, the studio's net profit jumped 50,000, an increase of more than 278 percent in one year.

And that was only the beginning. After a financial makeover and its dramatic results, it's hard not to relapse into old bad habits, but the Anundis have kept up with their good financial practices and improved their numbers consistently. From 2004 to 2008, Eric John Photography's gross sales catapulted from \$180,000 to \$305,000. And because the studio continued to lower its expenses significantly, the net profits increased by more than \$100,000 during that same period. Eric John Photography has now accomplished four straight years of growth in gross and net income, according to Kurkian. "An incredible accomplishment in this industry."

"The best part was that we really didn't see that much of a change in our way of working," says Eric. "I've gotten used to a more focused working model and to not buying every new piece of equipment that comes along. Now, I have a hard time buying new equipment unless I really need it, because I can see how those purchases directly affect our income." ■

Visit ppa.com to see the Anundis' recent webinar on tripling senior sales averages. Visit Eric John Photography online at www.ericjohn.com.