



## **Studio Business: The Complete Pricing Guide**

## Introduction

Pricing is complicated. So when you ask the seemingly simple question, “How much should I charge,” you’re likely to get a different answer from every studio owner. As a result, many new studios quickly fizzle into debt and negative numbers.

In this **free bonus guide** to pricing strategies, which I’ve included with my **Recording Studio Profits** course, I will familiarize you with several pricing tactics designed to win clients, squash competition, and stuff your pockets with well-deserved cash.

Refer to this guide for your pricing questions, but remember not to focus on the nitpicky details too much. Sometimes the best way to find success is to “just do it.” Take action, get started, and remember to have fun in this business.

Let’s get started...

## Common Pricing Mishaps

Before I tell you what works, let me tell you what DOES NOT WORK. Despite what your buddy who records himself at his parents' house says, these pricing strategies will leave you broke and the biggest joke in town. Rival studios will chuckle as you belly flop straight to bankruptcy, frustration, and utter disappointment (unless they're making the same mistakes).

Avoid these like the plague!

**Pricing Yourself Out:** There are two sides to this pricing catastrophe. They are *rock bottom* prices and *ultra-elite* (a.k.a. "stupid high") prices. We'll discuss both, and later we will learn how to find a happy medium that keeps you in the money.

You probably know somebody in town that will record bands for \$10/hour. That might be an exaggeration, but these low down devils are out there. They undercut every studio in town and seek to entice local artists on low budgets. Most of these "studio owners" are working out of their garage and recording on shady equipment. Don't get me wrong, the music world thrives on these kinds of studios. If smalltime bands couldn't cut a demo for \$50 and give it to their fans, many musicians would never have the pleasure of recording.

The mistake many new studio owners make is trying to compete with these super low budget competitors. Many studio owners think they **MUST** compete with the lowest prices in town because they're the new kid on the block. Just because their studio is new and doesn't have a single client, they think low prices are their best friend.

Well, what do you think is going to happen to this new studio?

They can't afford to stay in business! If you're making twenty dollars an hour, how many hours a week do you need to work to keep your doors open and food on your table? Odds are it's a lot of hours. Just because you are running a home-based studio, you don't have to settle for basement prices.

Offer the most *competitive* prices you can afford. Don't undervalue yourself in an attempt to win customers. Instead, ask yourself what your studio is worth? How much are your services, expertise, equipment, convenience, etc. worth to a potential client? Remember that while you may be recording on a \$100 USB interface and a \$50 microphone, you are offering more than equipment. Do you have the skills to make that setup sound fantastic? Can you be creative and flexible in order to get a project recorded under any circumstances? If so, you better be charging for it!

Take a look around your town, and see what comparable studios are charging. It will probably be a range of prices, and you should fit nicely into that range. Don't shoot for the low end just because you think it will win you more business. Ask for the rate you deserve, be confident in yourself and your studio, and you will do just fine.

Dollar store prices bring a whole host of other troubles with them – dollar store customers! You know what I'm talking about. If you have the lowest prices in town, and every sassy 12 year old can afford to record at your joint, they will. And these clients will make your life a living hell.

Take it from someone who knows, cheap clients are the worst. They expect WAY MORE than what they pay for. They make recording difficult. They run late for sessions, or skip them altogether, because it's only 50 bucks for the day! These clients will nag you on your phone 24/7; they will ask you for favors. They want to borrow equipment because their low budget left them with a 1x8 combo and a Wal-Mart drum set. They know very little about anything, but act like the king of the studio.

Just avoid this entire mess, and price these scum bags out of your studio! You don't need the stress, and you don't need their crinkled one dollar bills and jars of pennies.

On the flipside, charging astronomical prices to record in your state-of-the-art bedroom will leave you bored and broke. Know the limits for your level of studio. If you offer \$30 worth of service and quality for a hefty \$85, your client roster will be nonexistent. These kinds of boutique prices have their place, and later we'll discuss how to get away with charging higher rates. But for now, just know that nobody will pay you a lawyer's rates for a butcher's job.

Once again, take a look at the other studios in town. What do they charge? If it's a high hourly rate, how do they justify it? Is their equipment top notch and yours is mid-level? Do they pump out Grammy-winning material and you have experience with garage bands only? Don't price yourself out of the market by asking for more than you are worth.

Now let's examine another pricing problem.

**Sticking To Your Hourly Rate:** That's right, this is a big problem. I know we've been talking about pricing in terms of hourly rates, but here's where we break away from it. The problem is in a lack of flexibility.

Here is an example of hourly rates working against you...

A band shows up at your studio to talk terms. They want to record a full blown, 10 song, mixed and mastered album. You say, "Sounds great, that

will be \$55 an hour. When do we start?” Hold your horses, compadre! That band now thinks you are unwilling to cut them a deal. They think you are going to keep them there forever, charging fifty-five bucks for every hour they lounge in your home studio. Where does the bill end? How much is this thing going to end up costing?

You should have put together a nicely packaged deal for the band, laying down a bottom line price. That way they know how many hours they have, how much the final check is going to be, and you have also spelled out all the additional terms.

Little did you realize, you have also just hurt your business in another way. By sticking to your hourly rate, you are limiting your profits to that rate. You can only make X dollars per hour, period. If you can properly package your services for a band, you can make more than your hourly rate and leave the client satisfied (even though they just paid you \$10 more per hour!).

We can get into package pricing and all the little secrets in the next section. But first, let's examine another way *not* to make money with your studio.

Inflexible Payment Options: This is where the vast majority of studio owners say, “hold up, buddy – this is where I draw the line!” And if you fall into that group, best of luck to ya! I can guarantee that this one pricing mishap causes a lot of lost sales – even though many studio owners avoid the issue for fear of losing money.

Pretend for a moment that a bright eyed young band has just strolled into your studio looking for a place to record. You give them your hourly rate, or maybe you even put together one of the packages you'll learn about in the next section. They agree to the price and want to get started right away. So you tell them you take cash or check, and watch them squirm in their seats.

What just happened here?

You scared this client away by demanding full payment up front! And now they are second guessing this whole recording. But what can you do differently next time?

Next time, you can spell out the down payment and all the installments to follow. And I can hear the whiners already... “But I'm not risking my profits by letting them pay me over time! What if they run off and never pay me?” Tough kittens – for them. Find out why in the next section.

Now that you know what the big profit killers are, you can start learning to avoid them. The next section will equip you to turn a larger profit from your studio, and keep you in business for years to come.

## Pricing For Profits

Now that you know how not to turn a profit, we can focus on my favorite subject: making a fat stack of cash doing what you love. But how do you make this kind of money? You're about to find out.

### Strategy #1: Package Pricing

We've already discussed this briefly in the previous section. Now we can get more in depth. First, I want you to repeat after me...

"I will use package pricing. I will not settle for hourly rates unless absolutely necessary."

Good, but not good enough. You need to make a commitment to yourself, your studio, and your financial future that you will make an honest effort to use the tools you learn here. If you can't do this, you will probably fail along with most other small studios.

Moving onward... Package pricing is a powerful tool in your arsenal of business techniques. It will allow you to set boundaries when working with a band, save you a lot of headaches later on, and can even earn you more money than your hourly rate. Basically, it's the most important concept in studio pricing, and you need to know how it works.

The general idea is to create one overall price for a project, which will be paid by the artist for your services. No hourly bull. Just the bottom line. How do you make this profitable? How do you convince a band to drop \$xxxx.xx for their recording, instead of \$xx.xx an hour? You offer added value in your package, and you don't take no for an answer.

A lot of bands will come into the studio expecting to get out for the lowest possible price. With this in mind, they want to take your hourly rate, rush through the recording process, and keep their costs down. Don't let them do this! The recording will suffer, you will suffer, and ultimately your reputation will suffer. If a band is rushing and playing sloppy the entire session, and ends up with a crappy album, they will be unhappy. You will be stressed out the entire time. And then the unhappy band will go out and bash your studio for doing a shabby job on their record.

That's why you can't take no for an answer! Entice the band into a package price by making it worth their while.

Tell them you can do it by the hour for \$xx.xx, but they will get much more if they accept a package price. The best part is you don't have to lie! You really can offer more for less. You just have to show the band how they benefit from the package.

Imagine this...

A band spends 10 hours in your studio for \$35/hour. You mix/master three songs in 3 hours. For these 13 hours, you are paid \$455.00 after all is said and done.

What if you put together a package that looked like this:

Up to 25 hours recording/mixing/mastering time  
3 songs mixed/mastered  
Use of any in-house equipment  
5 CD master copies  
Plus a free radio edit of 1 song  
\$650.00

Offer the band that package price, and watch them add it up in their heads. They realize that they are getting a nice discount per hour. What they don't know is that you can record, mix, and master their project in 13 hours. They think they are getting a good deal because they can use your amps, they get 5 copies of the album, and a free radio edit. What they don't realize is that these bonuses add value to the package, but really don't cost you anything (or at the least, they cost you less than 5 cd-r's and a few minutes of editing).

But perhaps the biggest bonus for the band is the comfort of having extra time. They don't have to watch the clock as their expensive hour counts down. They can rest easy knowing that extra time is built in to the package if they can't nail that guitar solo quickly. Believe me, this comfort is HUGE to any band in the studio. A relaxed band records a better album. That's a fact.

How did you make out after everything? You made a whopping \$50 per hour! That's \$15 more per hour than your standard hourly rate. And you earned it, too.

The band leaves happy, you go to the bank with a smile on your face. Everybody wins.

Now do you see the power behind package pricing?

To really win with these packages, you'll need a little bit of practice. Sometimes your first couple experiments with package pricing won't work out in your favor. That's okay, you are learning valuable lessons in pricing strategies. Eventually (and probably much sooner than later) you will be earning much more than other studio owners. This is because you took the time to learn what your customer

wants, how you can give it to them, and how to add value without costing you a fortune. That, my friends, is the name of the game.

A few notes about package pricing and the example I gave you earlier...

Did you notice how many more hours I offered in the package? This is an acquired skill, and sometimes requires stretching the truth (but only slightly). You must figure out how long the average band takes to record one song in your studio. Furthermore, you must figure out how long different kinds of bands take to record one song in your studio. A three-piece punk band will be quicker than an eight-piece funk band. Once you have this kind of knowledge, you have the leverage to sell a package deal.

When you are talking with a client for the first time, probe them for information (gently, though!). Ask some general questions out of curiosity. How many members are in your band? What instruments? What kind of music do you play? Has your drummer ever played with a click track before? Does your vocalist get shy or nervous in front of others?

After you have done the reconnaissance work, you can more accurately predict how long this band will take per song. If it's about 3 hours per song, tell them the average band takes 5-7 hours per song in the studio. You need to set them up to expect a longer session in your studio. This way, you can offer them more hours in the package (even though you know they won't use them). There's an added bonus for your client here, too. Do you see it? If you tell them it might take 6 hours to record one song and they get it done in 3 hours, they really are the kings of the studio! Let them soak it in. "Wow guys, I usually don't get to work with bands of your caliber! Most people screw up for hours!"

Okay, so you were in on the secret all along – but hey, this is business. You need to make a decent wage, and the band is gaining some additional confidence as a result. Do you know what will happen once they feel confident about their talent and ability to record efficiently? They will record quicker with fewer mistakes because they aren't so self-conscious. That's a good thing.

Back to the package price example. Did you notice that I put "3 songs mixed/mastered" in the package? This is a way for you to cover your... liabilities. You don't want an artist to turn a 5 song demo into a 12 song full length because they had some extra time in their package. Keep the client in check! Let them know they signed up for 5 songs, no more. Otherwise you will get walked on, and your bottom line will suffer greatly. Just trust me on this one.

Next, you mentioned use of in-house equipment in the proposed package. What does that mean exactly? It can mean anything, really. You don't have to buy every instrument in Guitar Center to charge for equipment use. Believe me, I've gotten away with very little in the equipment department.

You can also let the client know that some of your equipment is pricey, and not everybody gets to use it. You can't drag out that \$1000 mic for just anybody!

So what should you offer equipment wise? Know who your clients are, and what they need to get the job done right. Investing in some instruments/amps for your studio is not just a money pit. It can save your recording quality when a band walks in with a practice amp and expects to record huge sounding rock guitars.

Here's the equipment I used to provide to my clients:

Fender Standard Telecaster  
Epiphone Les Paul Junior  
Epiphone Valve Jr. 5 watt guitar head  
Mesa Boogie 1x12 cabinet  
Fender Standard P-bass  
Ampeg SVT-350h bass head  
Mapex 5-piece drum set

That's it! Cheap guitars, cheap guitar amp, cheap drum set. Most of the gear was bought used for very little money, and the drum set wasn't even mine! It belonged to a drummer friend of mine that couldn't store it at home. I told him I'd be happy to keep it at the studio, but he had to agree to let me use it for the occasional recording. You could find yourself a similar deal – or pick up something used from a band that needs to pay the rent. I have even been known to trade some recording time for equipment I wanted.

Any decent band would turn their nose up at this equipment list, and would probably opt for their own half stacks and Gibson guitars. But a young band with a low budget would be excited to play on a tube guitar amp through real Fender axes (not the Squire versions).

But in either case, experienced or not, offering this equipment in the package adds value and justifies your price. The client gets more for his or her money.

Here's my last suggestion for winning with package pricing – get creative! What do your clients need to get a good recording? Is it time, equipment, cd duplication, beer, lava lamps? Every band will have something that pushes them over the top. Find a way to offer them what they need, and you will rock the bank with your profits.

Here's a couple ideas I've used in my own studios:

- Borrow a dream amp and let the client use it (I snagged an Orange Rockerverb 100 head from the guitarist in my band)
- Duplicate CDs (CD-Rs are cheap, and a duplicator can be found on eBay for decent prices as well)

- Book the client on a local show (Make connections with every promoter and booking agent in town – this kind of thing is invaluable!)
- Offer CD artwork design
- Offer T-shirt design
- Get your clients discounts for things their band needs – CDs, strings, sticks, drum heads, t-shirts, photography, etc.
- Offer to snap some pictures of the studio action while you record them. If you have a good digital camera, this can add lots of value. Bands love pictures for their Myspace page or website.
- Promote the client’s music on your studio’s website or Myspace page (I’ve successfully used this technique many times)
- Shoot video footage at the band’s next gig – this can take some skill, time, and a video camera. But it is a great add-on that you can even charge more for!
- Offer to use a drum sample replacer (like Drumagog) to get a professional drum sound out of a lower quality kit. If you can afford the software, this will be a huge benefit to the band and to your recording quality. Most bands will kiss your feet if you can make their drums sound better.

There are so many other ways to add value to a package price. I’ve given you lots of ammo in this section, and I know you can come up with even more great bonuses. Put some thought into it, and you can win any client with a solid package price that makes you more money.

### Strategy #2: Payment Plans

I mentioned this idea earlier, and I know a lot of studio owners refuse to get involved in this kind of business. But I implore you to consider using this technique in your studio. It will help you get more clients, keep them happy, and boost your profits overall.

Musicians are notorious for many things, but having loads of cash is not one of those. Most working musicians are struggling to eat and fund their hobby or passion at the same time. And when money is scarce, recording in your studio will sound too pricey. Not to mention that saving up money for recording can be daunting – most guys can’t even save up to re-tube their amps!

You can remedy this problem by loosening up your payment terms a bit. Instead of asking for cash up front, relax your death grip on the client’s wallet. Offer to get started for a smaller down payment – something as small as \$100. But put this in writing somewhere in your package deal: “\$100 deposit is non-refundable.” This will help you protect your time investment a little bit. In my years of recording, I have only had two clients run off without paying in full or finishing their recordings. But I kept their deposits in exchange for wasting my time. And they didn’t have any recordings to show for their deposit money.

In fact, I just exposed my big secret for payment plan security. It's my little insurance policy.

If your client is paying you in installments instead of up front, let them know that they get a copy of their recordings after you are paid in full. Don't bend this rule – ever. Not even once. This is the only thing that will keep them coming back and paying you what is owed.

Hold onto their recordings until the last check is cashed or the last dollar hits your wallet. Don't burn a copy of their progress, don't email mp3 files to them, and don't put it on their iPod. Just tell the client in a polite way, "Your recordings will be safe here at the studio until you are finished and the bill is settled."

Some bands will not care for this policy. But explain to them that it is necessary in order to protect your investment in the recording. It is property of the studio until purchased by the client. If they want their recordings now, they will have to pay now. No more installments – just cash.

You have another bargaining chip here as well. I mentioned that most studio owners steer clear from doing business without up front, in full payment. Make sure you communicate this fact to your client. If you went to another studio, you would be forced to pay everything before you stepped foot in the door to record. No payment plans for you! In other words, "I'm doing you a favor – so do me a favor and don't try to rip me off."

Let's explore some of the other issues with using payment plans in your studio. What happens if the band you started working with last week doesn't call or email you for a month? They need to finish their recording and pay you the rest of the bill. You can call or email them to check up on the band. Don't be rude, just check in and see how things are going. Maybe even tell the client that you are booking up quickly and want to make sure they can get in to finish the songs.

Sometimes you hit snags when you get to this stage. The band ran out of money. Their bass player quit. Their drummer was arrested for public drunkenness and then stole the van after posting bail with the recording fund. Anything can happen, and you need to be prepared for this.

If you sense that a band is not coming back in to finish their recording or pay you, check in once or twice. Then give up. Cut your losses and move on. You have already wasted some time working with this client, don't waste any more.

Another problem many studio owners foresee with payment plans is spreading their profits out over too long a time period. That \$1000 client isn't as exciting when they're just a \$100/week client, right? Well that's a matter of perspective. Either you will appreciate the small flow of income for a few weeks, or not. That's up to you.

The big problem comes when a band spreads their recording out over months because they can't come up with the money they owe you. When a 30 hour recording package takes 3 months to complete, it can be incredibly frustrating. So I would encourage you to play the enforcer every once in a while. Just because you were flexible with your payments, doesn't mean you aren't serious about this business. Money is money, and you need it to pay the bills. Let your clients know this by asking for regular payments. Every time they leave your studio, they should leave a payment behind with you. Otherwise you'll hear, "next time" too many times. Toughen up, be clear that you expect regular payments, and stick to your guns. If you want to make nice profits from your studio, start treating it like a serious business today.

One remedy to this problem is to put an expiration date on your written agreement. This way the client knows when their time is up. The recording needs to be done; the bill needs to be paid. Some clients will still try to drag things out. But use your expiration date as leverage. If they can't finish or can't come up with all the money by the expiration date, renegotiate the price for continuing their project. You can probably make yourself some extra money by extending their timeline, but put another expiration date on the new agreement!

If you use payment plans properly, they will help rather than hurt your profits overall. Forget about that one guy that ditched his recording and never paid the bill. Think about the clients you gained by being more flexible than the other studios in your town. It's well worth risking the occasional loser to bring in a lot more business.

### Pricing Strategy #3: Specials, Discounts, Promotions

The idea behind special pricing is simple: create a bargain for your potential customer, entice them into buying, and then gain further profits from your new customer. Once a person has handed you money, they are much more likely to hand you money again later. That's why big companies spend so many millions a year on advertising and attracting new customers. The customer isn't just worth the \$5 they spent on a value meal; they're also worth the \$50,000 they spend on value meals throughout their entire life thereafter.

Remember that business lesson – you want customers, not one time buyers.

This concept works well in the recording business. Would a band rather work with some guy they don't know in a studio they've never recorded in, or with their friend that did the last album? They will remember the attention you paid them, the special pricing you worked out, the payment plan you agreed to, how much extra value they got from recording in your studio, etc. And best of all, they will remember you! This business is 100% about relationships. You will work closely with clients, get a feel for their music, and become a friend to musicians all over

your city. If you're lucky, you'll become a bit of a celebrity in the local music scene. Everybody loves the studio owner when he walks into a club to watch some bands play. Trust me, every musician there will know who you are – or have the chance to meet you.

Back to the topic... in order to reap the profits from a lifelong customer, you must first get a first-time customer. Running some sort of special promotion is a powerful way to do that.

What kind of promotion should you do in your studio? I'll share with you the very first one I did in my high dollar studio in Memphis, TN. After months of construction, wiring, equipment shopping, patching together outboard gear, acoustic treatments, and countless hours of labor, I was ready to open the studio door to customers. The problem was... nobody knew who I was or that I ran a recording studio. The solution I found might sound a little crazy, but stick with me.

Before opening the doors officially, I recorded a friend's band free of charge. Not a single dollar was paid for my time or my skills. But it just so happens that these guys were popular in the local music scene, and told everyone about my studio. They put out their 5 song EP and their fans ate it up like rabid animals. They started booking shows to promote their new recordings, and bands were hearing about my studio in no time.

Then I catalyzed this process with an unreal deal for studio time. For our opening month (which was a rainy and cold December), I offered to record any band for only \$100 per song. That package included 5 hours of recording time, mixing, mastering, equipment use, and a CD master after everything was finished.

How did it work out for my new studio?

We were booked solid in only 3 days. All of the bands that heard about our studio from my friend's band were dying to get in the door. They blew up my voicemail and Myspace page trying to get time booked in December, and finally I announced that we were booked solid.

Booked solid is great, but what about the money? How much did we make in that first month? Almost nothing. The price was rock bottom, and it covered the costs of operating the studio for that first month. I walked away with very little profit that month.

But you already know the secret of lifetime customer value, so you can probably guess how it worked out long term. Nearly every single band that recorded for \$100 that first month was back in the studio in the next couple months. Most of them wanted to do a few more songs and make an EP or a full length out of their original recordings. And the new, higher prices I was charging were hardly a consideration when they decided where to record.

I took a milder profit from the initial launch in exchange for having almost guaranteed business and higher profits in the coming months. Trust me, it was worth the trade-off. A band that handed over \$100 to do a song last month was handing me \$750 for three songs a couple weeks later. The profits started rolling in and I was able to cut back on the hours I had to work. There was no reason to work an 80 hour week after that first month, because a 30-40 hour week made me more profits.

And that first month of business brought me referrals as well. The bands I recorded were happy to tell fans and other bands where they recorded. They passed my business card around and delivered tons of new customers to my door.

All this came from running one little special. And it wasn't the only one I ran that first year.

So what makes a special promotion *really* special?

Anything can make a good promotion. Just make sure you understand who your customers are and what they desire. Lower rates? Offer lower rates for a month. Or offer lower rates for recording during certain hours of the day or night. Drop the rates for committing to more studio time. The volume discount is a standard in this industry, and you should take advantage of it. Is your customer recording one song or twelve? The more time they spend with you, the better price you should offer. Entice the customer into spending more money with you.

Try offering additional services free of charge. That can create a great special that might push your would-be customers over the edge. If they can get 100 copies of their CD for free with their recording this month, they will make the plunge. And once they record with you, you can usually expect to see them back again later for more.

Be creative with your discounts. Be clear about your offer. Crafting a strong offer is an art form, but with practice you can learn to do it well. Just make sure your potential customers understand what you are offering and why it is so good.

Another thing to remember is that giving a reason for your special will make it more effective. Sounds strange, right? Telling someone you are dropping prices this month is not as effective as telling them you are dropping prices because of the holidays.

It doesn't matter what the reason is, just give one. Think about all the sales your local stores have. Columbus Day sales, tax refund sales, going out of business sales, etc. Companies will even come up with seemingly disconnected reasons for having a sale. Recently in Memphis, a furniture store had a special sale to

celebrate the University of Memphis Tigers basketball team playing in the Final Four. What does that have to do with furniture? Absolutely nothing, but it was an excuse to have a sale.

So tell your customers what your sale is and why you are having it. Be brutally honest if necessary. "We're buying new microphones, and to help fund the purchase we're slashing hourly rates by 20% this week only!"

Employ special offers as often as you want, but switch it up a little. If you cut hourly rates one month, offer free mastering the next month. Instead of running a special 3-song package deal every month, try throwing in a free strings and sticks promotion. Every client will want something different, and what attracts one new customer might not win the next customer.

## **The Final Word**

In this guide, I have exposed you to the most common problems with pricing. These are the big profit killers, and with this knowledge on your side you can skillfully avoid the pitfalls of this business. I have also offered some powerful strategies for creating greater profits quickly and painlessly.

All that's left is for you to digest the information, grab a cup of coffee, and take some action!

Remember that having all the answers is one thing, but using them to your advantage is something else altogether. You must use your new knowledge if you ever want to see the dollar bills stacking up in your studio.

Running a studio is a dream for many, but if you treat it like a business and use these profit strategies, it can become a money-making reality.

I wish you the best of luck with your studio and all the profits to come!