

Business Aspects of Running a Music Studio...

or, “Joann, why are you always talking about money?”

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WHY WE TEACH MUSIC— WORKING TOWARDS A MUSICALLY-LITERATE SOCIETY

1. Dream- society has enough music teachers so
 1. Every student who wishes to learn music will have a place to learn
 2. Students can be matched with teachers who best fit their musical needs
 3. We can live in society that is musically rich and vibrant
2. Reality—music teachers need to be able to earn a living teaching music or they will have to quit teaching music. Fewer music teachers means fewer music students can study music which means fewer musically-literate members of society.

SUSTAINABILITY OF THE MUSIC TEACHING PROFESSION

Professional music teachers need to be able to earn a good living (not bare-bones) in order to:

1. Stay in business as professional music teachers
2. Attract into the profession the best and brightest of future generations

As long as music teaching is perceived to be a low-income generating profession (and currently the profession is as it is perceived), parents will not encourage their children to pursue music teaching as a career, young people who have a choice will choose different careers, and existing music teachers may go out of business or struggle to stay in business. How might this affect the goal of having a musically vibrant and literate society?

BUSINESS PLANNING MATTERS— YOU ARE IN BUSINESS TO STAY IN BUSINESS

1. Businesses are supposed to earn a profit. There is nothing wrong with being in business to make money.
2. Being a kind and caring person and running a successful business are not mutually exclusive. Business success requires planning and it requires that you put yourself and your business first (or you will go out of business and will not be able to teach anyone).

LACK OF BUSINESS PLANNING CAUSES PROBLEMS— Have you seen (or experienced):

1. An urgent need to make money
 1. Partner/spouse is laid off (or runs off)
 2. Music-playing jobs disappear suddenly
 3. Unexpected expenses (medical, household, etc.)
2. Music teachers with good intentions who priced themselves low because they believed that “everyone should be able to afford music lessons”— only to find that:
 1. They had to leave the profession to find better-paying work
 2. They couldn’t afford to pay for music lessons (or other things) for their own children
 3. They couldn’t retire because they did not earn enough to be able to save for retirement
 4. The families who complained that music lessons cost too much owned luxury vehicles, or took expensive vacations, or spent \$7-\$10 daily on fancy coffee, or...
3. Health/Family issues caused by:
 1. Scheduling/Overwork—start teaching at 6AM, teach as much as possible throughout the day, teach during the dinner hour, finish teaching at 9PM— and then have other playing jobs (or teach) on the weekend
 2. Worry about finances
4. Lack of time to practice— degradation of the music teacher’s own performing ability

YOU ARE MARKETING ALL THE TIME

Every time you play or teach, you are auditioning for your next job. You are never “volunteering” — your pro bono* work is marketing. Every time you play or teach, people are evaluating your skills. Your reputation in the community affects the success of your business.

(*“Pro bono,” is short for *pro bono publico*—a Latin term that means “for the public good.”)

PLANNING FOR SUCCESS

1. LIFE PLAN

1. Life priorities — make a ranked list of priorities in your life
2. Life realities
 1. Money needed to live well — household budget; long-term financial goals
 2. What are your sources of income?
 1. Which sources are most stable?
 2. If teaching is not the sole source of income for your household, then is your teaching business structured so that it could grow quickly to provide the full income you need?

2. BUSINESS PLAN— You don’t need to reinvent the wheel— do some market research (policies, tuition/fees, teaching tips, business advice)

1. Business priorities- clearly define who, how, what, and why you want to teach— what is your target market?
2. Business realities
 1. What are your expected business expenses?
 2. Will you need to modify your business priorities in order to stay in business?

3. KNOW THE MARKET RATE (the price that customers are willing to pay for goods or services) The market rate is affected by:

1. How much the buyer wants it and is willing to pay to get it
2. How much is the seller willing to sell it for
3. Cost of living in a geographic area
4. What the competition is charging for similar goods and services

4. PRICING—THE MOST IMPORTANT FACTOR FOR BUSINESS SUCCESS—CASH IS KING!

1. Gross revenues minus expenses should equal **profit** (enough to meet personal and business expenses *and* save for the future)
2. Price carefully— future rate increases are based upon the initial rate you set; significant rate increases are difficult to implement
3. Ask: If my pricing is lower or higher than the market rate for my services, how might it:
 1. Help my business? (short/long term)
 2. Hurt my business? (short/long term)
4. Things to keep in mind when pricing:
 1. Business expenses are generally passed on to the customer
 2. You are not in a position to determine whether or not a prospective customer can afford your pricing. *If other people's financial problems are reflected in what you charge for your services, then it may cause you to have financial problems*
 3. Cash flow sacrifices should not come from your business. Prospective customers need to determine whether they value your services enough to make financial sacrifices on *their* end in order to be able to afford the price you have determined your business needs to charge
 4. If you determine a prospective student is highly motivated but *genuinely* cannot afford your pricing and you choose to offer a scholarship in the form of discounted or free tuition, then where will the money come from so that it does not impact your bottom line? —higher tuition from other students? — your own pocket?
 5. Families who enquire about music lessons generally have higher earnings than the average music teacher— they probably can afford your fees

6. If you charge too little, then you may be the lowest priority in your students' lives— "Can you change the recital date? It conflicts with____, and ____ is expensive."
7. You alone set your fees. If you charge too little, then what does that say about how much YOU value your services?
8. The value your customers find in your services may be linked in their minds to how much they have to pay for your services. "You get what you pay for." "She's an expensive teacher, but she's worth it!" "We paid a lot of money for those music lessons. So get in the car— you're going." "We paid a lot of money for those lessons. Get in there and practice."
9. Professional services should generate professional income
10. But...if you charge more than what you're delivering (i.e. your services aren't very professional), then your customers will figure it out fast and go elsewhere
5. **POLICIES** — Clear, iron-clad studio policies make life easier for everyone
 1. Tuition: How much, when due, what it covers, payment methods accepted, late fees
 2. Absences
 3. Extra Fees
 4. Termination clause
 5. Authorization and Release Forms (MTNA website has these, if needed)
 6. Anything else you'd like (signature line for acceptance of policy, contact information, emergency contacts, etc.)

TIME IS MONEY

Everything that you do that is related to your business is a business activity and should be treated as such (continuing education, practicing your instrument, reading articles, association activities, administrative work, lesson planning, cleaning your studio, purchasing music, advertising, performing music in the community, etc.). Time spent on business activities needs to be reflected in the fees you charge (provided the market rate will allow it).

1. Business activities that generate income—maximize these
 1. Filled lesson time-slots
 2. Music camps
 3. Other activities that you charge for
2. Business activities that don't generate income—
 1. Minimize these (through efficiency or elimination)
 2. Or, charge more to make-up for the time they take
 3. Or, do both— making money is the goal of a business
3. Determine how much time certain business activities take. *Informal survey— on a scale of 1 to 5 with 1=less time and 5=most time (feel free to add your own categories)*
 1. Curriculum: standardized vs. semi-individualized vs. fully-individualized
 2. Music/instructional material procurement- Students receive a standardized list and procure their own vs. teacher does everything
 3. Parent conferences- only during lesson time-slot vs. 24/7
 4. Communication- only during lesson time-slot vs. one or two methods vs. any method (Do you really want to be checking text, email, phone, Facebook chat, etc. all day?)
 5. Tuition- quarterly vs. monthly vs. count number of lessons per month vs. pay by individual lesson (each time you collect you have bookkeeping, you have to track down delinquent accounts)
 6. Payment- automatic credit card vs. limited types accepted vs. accept anything
 7. Billing, collections, record keeping, deposits- outside service for all vs. some outside service vs. teacher does all (no invoices) vs. teacher does all (including invoices)
 8. Make-up lessons: none for any reason vs. limited vs. unlimited
 9. If make-up lessons allowed: clients reschedule themselves (online calendar, swap list) vs. teacher does rescheduling
 10. Number of students to manage: few vs. many

11. Extras provided by studio (recitals, group classes, camps, social events, reward programs): none vs. some vs. many
 12. Extras outside of studio (festivals, competitions, master classes, Music Artistry, Musicianship Exams, Young Composer, Solo and Ensemble): none vs. a few students participate in a few activities vs. many students participate in a few activities vs. many students participate in many activities
 13. Involvement in professional association(s): low vs. medium vs. high
 14. Internet presence: none vs. some vs. lots (time creating, updating, getting permissions, if students pictured)
 15. Technology: only essential technology for teacher purposes vs. some vs. lots for both students and teacher
 16. Taxes/bookkeeping: all is hired out vs. teacher does some vs. teacher does everything
 17. Networking/visibility (such as service organizations, blogging, playing for benefit concerts, association work, etc.): none vs. some vs. lots
 18. Studio policy: well-thought-out, policies enforced vs. could use work, haphazard enforcement vs. no studio policy
 19. Expectations/client relations: clearly communicated, problems dealt with promptly and efficiently vs. expectations not set and difficulty dealing with problems
 20. Record keeping (student records, business records): excellent record keeping vs. haphazard record keeping
4. Sometimes you have to spend money to make money— the value of paying for professional services to:
1. Set up and maintain a business that runs smoothly
 2. Free your time for income-generating activities
 3. Release you from drudgery

THINGS TO REMEMBER

- Running a successful business is time and labor intensive.
- Every time you say yes to one thing you are saying no to something else.
- Every time you spend money for one thing you have less to spend for something else.
- Keep track of spending— if you watch where the pennies go, then often the dollars will take care of themselves.
- Although you alone determine what you charge, remember that what you choose to charge affects the market rate for your services and services like yours.
- The market rate may determine whether future generations choose to enter the profession.
- The market rate may determine whether you can stay in business over a sustained period of time.
- If the market rate in your area doesn't allow you to make enough money with your current business model, then you may need to consider changing your business model (by doing things such as group lessons, maintaining a high volume of students, or having everyone on the same curriculum) in order to make more money.
- If the market rate for music teaching in your area makes it difficult to keep a roof over your head and food in your kids' mouths, then you may need to find better-paying work.
- There may be periods of time when you wonder why you are in this profession. Maintain a file folder with notes people have sent you expressing their appreciation for your work so you have tangible reminders that what you do is important.
- If you think a situation will be funny when you look back on it in 10 years, then it's probably funny now. Laugh and smile.
- Things change frequently— take time to regularly evaluate what works and what doesn't work. Then adjust accordingly.
- If you spend time putting efficient business practices into place, then you can spend more time doing what you love.
- The rewards of a life in music make all the work worth it.