

THE LESSON ROOM | BY PETE GAMBER

The Numbers Behind Music Lessons

In order to fully prove my theory of music lessons—that they’re worth it—it’s going to take math. Let’s start by flashing back to 1995. You’ve sold 100 popular entry-level electric guitars at \$199 a piece (and you’re grumbling about making no money selling cheap guitars). Your sales were \$19,900, you paid \$99 per guitar and minimum wage was \$4.25 per hour.

\$19,900 (sales)
 - \$9,900 (cost)
 - \$425 (wages, assuming 1 hour per guitar)
 \$9,575 (profit)

That’s nearly \$10,000. Might not be enough to keep you in business, but it’s not bad. Let’s come back to 2005. You now sell 100 entry-level guitars at \$99 a piece. Your sales are \$9,900, your cost is \$59 per guitar, and minimum wage is \$6.75.

\$9,900 (sales)
 - \$5,900 (cost)
 - \$675 (wages)
 \$3,325 (profit)

Ouch! But really, it’s worse than that.

When you consider the increased competition for entry-level music products from large-format stores; non-music retailers like Wal-Mart, Target and Costco; and Internet sites like eBay, Musician’s Friend and others, you are probably doing about 50-percent less in volume. Nowadays, you sell only 50 entry-level electric guitars.

\$4,950 (sales)
 - \$2,950 (cost)
 - \$337 (wages)
 \$1,663 (profit?)

Over 10 years, your studio rent income has increased, while your guitar sales have decreased.

THE SOLUTION

Between 1995 and 2005, you have experienced a slow decline of something like 80 percent of your revenue. What will happen when guitars are \$69 and more large-format competition creeps into your area?

This leads me to my point: Got music lessons?

If you search eBay for “electric guitars,” you get 6,978 hits. Search for “music instruction,” and you get 44.

With that in mind, let’s head back to 1995.

You’ve got 200 students, and the teachers pay you studio rent of \$10 per student per month.

200 x \$10 x 12 months =
 \$24,000

\$24,000
 - \$0 (cost)
 - \$0 (wages)
 \$24,000 (profit)

Back to 2005.

Same 200 students, but rent is now \$15 per month. I’ll spare you the math, but it comes out to \$36,000 in profit.

Now imagine if you developed your music lesson program into 300 or 400 students. We’re talking \$72,000 per year.

You need a music lessons program. Over 10 years, your studio-rent income increased, while guitar sales decreased.

Having a revenue stream of \$54,000 from lessons, as opposed to just \$1,663 from electric guitars, will keep a store open. And lessons have much less competition from the large-format and non-music stores.

In fact, a lesson program can increase sales in books and accessories, repairs and rentals, and upgraded instruments.

If you don’t believe me, do the math. **MI**

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