

Open Book Management: Team Pricing, Part 2

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In Part 1 I sought to make the case in favor of an Open Book approach to pricing Team. The grounding philosophy behind our approach can be summed up by this quote: "reasonable people, given the same information, will come to the same conclusion." Over the years, many gym club owners have voiced to me this lament: "if the parents only knew how much it cost to run the team they wouldn't complain so much." To that, I can only respond, well, duh...give 'em the information!

Below, I have sketched out for you a formula for calculating a TRUE break-even on your team. If you get confused, there is help at the end of the article. I tell you how to get a pdf of Kids First's calculations. Many gym club owners mistakenly think that if team tuition covers coaching wages they are breaking even. Hardly!..In many gym clubs (Kids First included) 'overhead' equals or even exceeds the coaching wages!

Here is Kids First's formula for calculating Team fees breaking-even including a hypothetical example. Assume this is a typical gymnastics school with an 8:1 ratio and having a Team, rec classes, preschool classes, tumbling classes, birthday parties and maybe a cheer squad or two, all operating out of the same gymnastics facility:

1. Calculate your YEARLY OVERHEAD. Using your year end P&L statement, simply tally ALL of your business expenses and MINUS your coaching and teaching wages. DO leave in any and all admin hours: Hypothetical example: \$400,000.

2. Calculate YEARLY STUDENT HOURS. Using your enrollment data, program by program, add up all of the training hours for all who use the gym. Typically, you would see something like this: (____rec. students X 1 hour) + (____level 4s X the number of training hours/wk) + (____level 5s X the number of training hours/wk), etc. Do the same thing for preschool, cheer, tumbling, birthday parties—ALL students who use the gymnastics hall. This sum will be a weekly figure; convert it to YEARLY STUDENT HOURS by multiplying by 52 weeks in the year or however many weeks you operate. To adjust class programs for the yearly up/down cycle, we then multiply that total by 85%, an adjustment figure we have arrived at empirically over the years. Hypothetical example: 100,000 st. hrs. per year.

3. Calculate FIXED OVERHEAD/STUDENT/HOUR: Divide #1 by #2. $\$400,000 \div 100,000 \text{ st. hrs.} = \$4.00/\text{st./hr.}$ Remember, coaching wage has NOT yet been included.

4. Calculate GROUP OVERHEAD/HOUR. Multiply #3 X 8 students. $\$4.00/\text{st./hr.} \times 8 \text{ st.} = \$32.00/\text{hr. group overhead.}$

5. Identify your AVERAGE HOURLY COACHING WAGE from your payroll records. Don't forget to add in a multiplier for EE benefits not previously considered in the overhead Fed and state P/R taxes, W/C, FICA, health, dental, vacation, 401K, employee discounts, etc. A good multiple for full benefits for an Ohio club offering full benefits is +24%. $\$16.00/\text{hr.} + 24\% = \$19.84/\text{hr.}$ rounded to \$20/hr.

6. Calculate TOTAL GROUP COST PER HOUR. Add #4 and #5. $\$32.00/\text{hr.} + \$20/\text{hr.} = \$52/\text{hr. total group cost.}$

7. Calculate BREAK-EVEN PER STUDENT PER HOUR. Divide #6 by your teaching ratio. $\$52/\text{hr.} \div 8 \text{ st.} = \$6.50/\text{st./hr.}$

Entry level athletes partially subsidize upper level athletes. Charging a \$6.50/hr tuition is not too difficult for entry level athletes but doing so for a 20 hour per week athlete would require a \$560/mo. tuition, a deal breaker for most clubs. That means, for Team to break even as a whole, you must charge more for entry level athletes and less for upper level athletes. ✕



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