

Business Tips

Pricing Your Team-Part II

In Part, 1 I sought to make a case for the need to UNDERSTAND the parents' perspective that team is expensive and therefore the need to SELL the idea that team is a BARGAIN. Here, I will sketch out one way to calculate a TRUE break-even on your team. Most GymClub owners believe that if team tuition pays for coaching wage that they are breaking even or at least close to it. Surprise!: often, 'overhead' exceeds coaching wage. The below example is a 'sampling' of what is actually happening out in the real world of progressive GymClubs having high level optional athletes in 2003. The example assumes only one venue-a gymnastics venue-and a teaching ratio of 8:1. If you are a true MVP (multiple venues), you must first find the gymnastics venue's share of the total.

1. Calculate YEARLY OVERHEAD. Using your year end P&L statement, tally ALL of your business expenses-facility costs, admin wage, insurances, interest, education...the works*-EXCEPT, coaching wage. Real life example: \$275,000 yearly overhead.

2. Calculate YEARLY STUDENT HOURS. Using enrollment data, program by program, add together: (rec. students X 1 hour) + (level 4 X no. of training hours/wk) + (level 5 X no. of training hours/wk) + etc. Don't forget to include preschool, cheer, tumbling, birthday parties-ALL students who use the gymnastics venue. This sum is a weekly figure and must be converted to YEARLY STUDENT HOURS by a multiplier appropriate for your yearly up/down cycle. Real life example: 100,000 st.hr. per year.

3. Calculate OVERHEAD/STUDENT/HOUR: Divide #1 by #2. $\$275,000 \div 100,000 \text{ st.hr.} = \$2.75/\text{st.}/\text{hr.}$ Remember, coaching wage has NOT yet been included.

4. Calculate GROUP OVERHEAD/HOUR. Multiply #3 X 8 students. $\$2.75/\text{st.}/\text{hr.} \times 8 \text{ st.} = \$22.00/\text{hr.}$ group overhead.

5. From internal payroll records calculate your AVERAGE HOURLY COACHING WAGE. Don't forget to add in ALL benefits not previously considered including Fed and state P/R taxes, W/C, FICA, health, dental, vacation, 401K, employee discounts, etc. A good multiple for a progressive Ohio club is +24%. $\$15.00/\text{hr.} + 24\% = \$18.60/\text{hr}$ average coaching wage.

6. Calculate TOTAL GROUP COST PER HOUR. Add #4 and #5. $\$22.00/\text{hr.} + \$18.60/\text{hr.} = \$40.60/\text{hr.}$ total group cost.

7. Calculate BREAK-EVEN PER GYMNAST PER HOUR. Divide #6 by #8. $\$40.60/\text{hr.} \div 8 \text{ st} = \$5.08/\text{st.}/\text{hr.}$ as a true break-even.

It is not too difficult to achieve a \$5/hr tuition for entry level athletes, but very difficult at an optional level. It is Queen City's goal to have a perpetually wide enough base of profitable entry level athletes to subsidize our upper level athletes so that our TEAM breaks even, as a whole. Note, we do NOT look to our classes to subsidize our team: that is a taboo. A team can and should support itself. If you would like a jpeg copy of the Queen City Gymnastics tuition schedule which includes far more detail and a recent 'tuition increase' letter, please email a "request team tuition schedule/ltr" to: gymclub@aol.com.

* note that Queen City Gymnastics also excludes marketing costs (team actually aids the marketing effort) and sales tax as, in Ohio, it applies only to tangible product.

Jeff Metzger

USA Gymnastics Business Development Partner
President, GymClub Owners Boot Camp
President, Kids First Sports Center