

# Jeff Metzger's Business Tips

## Pounding the Pricing Drum...aaaagain!

Now is the time to take steps for fall '03 pricing. Anyone who has heard me speak about pricing pretty well can guess about what is to follow, so get ready.

Take these steps:

1. Log onto a website which will give you the CPI (consumer price index) for the last 12 months. Here is one of many <http://www.bls.gov/news.release/cpi.nr0.htm>
2. Next, say this out loud three times-A PRICE CHANGE EQUAL TO THE CPI IS NOT AN INCREASE, IT IS MERELY AN ADJUSTMENT. Also, a price increase LESS than the CPI is effectively LOWERING your price. After reviewing the data you will see that the urban CPI for food is +2.6%; energy is +14.1%; medical is +4.6%; good and services is +3.2%. Other categories were less but you have to assess what is most relevant to your business.
3. Polish your detective credential and find out what your competitors are charging. If you have no direct competition, learn what other HEALTHY clubs having similar demographics are charging. If you don't have this kind of data or know where to get it GET TO USA GYMNASTICS CONGRESS BUSINESS SESSION THIS SUMMER and get to know those folks who can supply such data! There is no substitute for seeking out where the action is and doing it on a regular basis!
4. Have handy your business's financial statements for the last three years.

Now, decisions: If your profit goal was met and enrollment was strong but not screaming and you have been diligent about 'testing' your price ceiling over the last few years then you may consider a CPI adjustment and nothing more. If your Company has a waiting list and students banging down the doors and profit was weak (hmmm) then you probably need a significant increase of perhaps 10-20%, maybe more. Most clubs will fall somewhere between the two extremes. I can think of very few reasons to raise less than the CPI. Remember, if you fail to adjust to the CPI this year you will have to double up next year just to catch up (try failing to adjust three years in a row and see how easy it is to catch up)!

And what about a competitor who features low prices? Run a great program and be the price leader because it is your competitor who is making the mistake. The only types of businesses which can thrive long-term using a LOW PRICE selling proposition are COMMODITY-BASED businesses in which the commodity can be shipped in the back door as fast as it can be sold out the front. Gymnastics is a VALUE-ADDED business, as far from a commodity-based as a business can be! My strong advice is to seek to be the PRICE LEADER with one important caution: run a bang up business. Only ONCE in 15 years of consulting have I heard of a GymClub pricing itself out of the market and if I remember correctly, the owner was making strategic mistakes in management and leadership as well as in marketing. In all those years, except for that one owner, EVERY other owner I have come in contact with has told me s/he could have raised them HIGHER (it is ironic that most owners seem to lose courage by the time next year's decisions rolls around!). Good luck.

Make it a greatspring, Jeff Metzger, Founder, BOOT CAMP

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