

## 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.  $\$275,000 \div 100,000\text{st.hr.} = \$2.75/\text{st./hr.}$  Remember, coaching wage has NOT yet been included.

**4. Calculate GROUP OVERHEAD/HOUR.** Multiply #3 X 8 students.  $\$2.75/\text{st./hr.} \times 8\text{st.} = \$22.00/\text{hr.}$  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.  $\$40.60/\text{hr.} \div 8\text{st} = \$5.08/\text{st./hr.}$  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.

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