

Add Value and Charge for It

RECENTLY, A CLUB OWNER MADE AN argument for a low price strategy. You know the drill: low price stimulates more units sold and the greater volume brings higher profits.

Here is my response: The low price, high volume argument is valid when you sell products that have been COMMODITIZED. To a buyer purchasing Energizer AAAs, what difference is there other than price (and, possibly, convenience)? None, they are commodities. Long ago, WAL*MART 'bet the farm' that by lowering prices on its commodities it could increase profit from two fronts: 1) increased sales due to more units sold; and 2) lower unit cost that comes with buying power (quantity discount). The strategy worked because the more Energizer AAAs went out the front door, the more WAL*MART was able to have delivered into the back door.

On the other hand, our product is as far from a COMMODITIZED product as you can get. We have a classic VALUE-ADDED product. The difference between cartwheel A (and the safe, loving manner in which it is taught) and cartwheel B (and the apathetic, impersonal manner in which it is taught) is HUGE in the eye of the consumer even though, stripped-down, both clubs are selling cartwheels.

And here's the rest of the strategy — The consumer will be willing to pay more for cartwheel A because it has more VALUE. Of course it costs more to produce better cartwheels (more skillful teachers cost more) but the revenue generated by the higher price will out pace the higher teaching cost, hence, increased profit. Note that sometimes products start out with many differences, but over time, due to patent loss, competition, etc., the product category gradually becomes 'commoditized,' (For instance, unlike a decade ago, today few people care which brand of Term Life Insurance they purchase, because the internet has virtually commoditized it). To my way of thinking, our industry is quite lucky because gymnastics instruction, a "pure relationship" business, is not likely to become commoditized because the process of relationship-building will always have ample room for VALUE-ADDING. And the gymnastics club that figures how to add more value and charge higher prices for that value will win the marketing war.

Points to consider

I don't know of a gymnastics school that "sells low price" and has a truly healthy profit line.

If you have never raised prices to the point where a measurable number of



customers stop buying, you are probably shy of your optimum price/profit point.

Constantly search for ways to ADD VALUE to your cartwheels (in the clients' eyes) and CHARGE for that value. Start out by looking for adding value which costs little or nothing (smiles are a good example). After this, consider bigger expenditures (such as expansions and remodeling, etc.). Think in this manner daily, weekly and yearly until it is a habit. ✕

Make it a great summer!
Jeff Metzger

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Dates: Nov. 16-20, 2006

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