



# Kids Sports Industry



## GYMNASTICS Business Trends Survey



Compiled by 3rd Level Consulting –  
Frank Sahlein, President - December, 2007

**OBJECTIVES** – Our objectives in conducting this survey, and all future surveys, are simple.

- To help eliminate some of the “guesswork” in the industry with respect to critical trends.
- To increase the level and depth of professionalism within the industry.
- To ultimately increase the value of businesses for owners.

**GRATITUDE** - I'd like to thank the hundreds of owners who participated in this survey. Without your active participation, no useful information could have been gathered! Please accept our sincere appreciation for your time and thoughts.

**SUPPORT** - I'd like to personally thank Kathy Feldmann and Loree Galimore of USA Gymnastics for their assistance. Additionally, David Holcomb of Buckeye Gymnastics in Ohio needs to take a big bow for initiating the

first significant gymnastics industry survey in the recent past.

**CONTINUATION** - 3rd Level Consulting will compose, compile, analyze and distribute this type of survey on a bi-annual basis from this point forward. In timing a Major Survey (50 questions) every year, with a Minor Survey (25 questions, focusing on a specific topic) at the mid-year mark, we as an industry can use the information to anticipate and plan for our collective future in a much more professional manner.

**ANALYSIS** – The user can draw significant trend conclusions “by the numbers.” During each 6-month interval between surveys, more detailed analysis of the results will be conducted to determine the trends “beyond the numbers.” Some of these findings will be shared through newsletters, webinars, conferences, etc.

**DISCLAIMER** – The data contained in this, and all future surveys, is compiled solely from the input by the respondents. No auditing or other verification was conducted on the raw data. Users of the data agree to hold 3rd Level, Inc., its Officers, Agents and other representatives free of any liability whatsoever.

### **EXECUTIVE SUMMARY – KEY OBSERVATIONS (for Gymnastics)**

**Respondents** - The business owners who responded to this segment of the survey by and large consider themselves Gymnastics Schools. A few defined themselves as Children's Activity Centers (CAC's). For our purposes, CAC's are defined as centers that feature, by design, Activity Programs in Sports Instruction, Entertainment and Education.

**Location** - The Midwest had the highest percentage of responses (32.8%), which perhaps correlates to the fact that 3rd Level Consulting had more "alarmed" calls and inquiries from the Midwest club owners during 2007 than from any other region by far. Further observations were that gas prices, lack of local energy sources, cost of living increases and real estate loan foreclosures in the region combined to form a "perfect storm" of declining conditions.

**Demographics** - Most Clubs seem to be located fairly well. 84.4% felt that their location was growing dramatically (24.5%) or growing moderately (59.9%). This bodes well for the future of Gymnastics, as LOCATION is a prime factor in the financial success of a club. It's great that owners are starting to "look before they leap" in terms of location. This is one key reason that 3rd Level Consulting updates Demographic Reports for all of its clients on an annual basis.

**Primary Activity** - Most still consider themselves GYMNASTICS facilities (95%) as opposed to Children's Activity Centers (5%). This is interesting, because although MOST definitely have a DIVERSITY of Activities, GYMNASTICS remains their "heart." This will be a conceptual statistic to watch in the future.

**Experience** - Most long-term coaches become long-term owners. Over 50% of the respondents coached for 21+ years. The percentages relating to length of time owning a business were widely distributed. However, the trend here is that MORE people are considering our industry as a good opportunity. I believe that the opportunity is still perceived as a combination of desired lifestyle and financial considerations.

#### ACTIVITY PROGRAM DIVERSITY OBSERVATIONS

• **Sports Instruction** - while GYMNASTICS is, of course, a staple of these particular respondents, Cheerleading is either a current part

(70.3%) or being considered (10.6%) as a viable program. It is interesting to note that 68.7% either have, or are considering adding a Dance Program. Surprisingly, 41.7% either have, or are considering adding a Martial Arts Program. Swimming is still on the rise, but the cost of adding a full-service swimming program is still an obstacle.

• **Education** - While Day Camps lead the way (72.2% of respondents), Afterschool programs (which are directly related) trail behind with only 22.5%. In most cases, this is because of a lack of adequate space. Trend - almost all of the new or expansion projects that 3rd Level's clients are working on involve developing a full-service Educational Center, including Educational Preschool and Child Care. Music and Art programs are gaining interest as well.

• **Entertainment** - It appears that our industry has taken full advantage of parties (94.5%), as well as parent night out, field trips and open gyms (all over 70%). The other opportunities listed are the "next frontier."

#### PARTICIPANT NUMBER OBSERVATIONS (PAST 12-24 MONTHS)

• **Gymnastics** - Note that nearly 40% (39.6%) indicated that their preschool gymnastics programs were down from the previous 12 months, and 38.6% indicated that their recreational gymnastics programs were down from the previous 12 months. However, only 22.6% indicated a drop in competition numbers. Competition numbers are usually a bit more insulated from drops. This may also indicate a shift on the part of many clubs to include MORE students in the team programs. An additional observation is that the increase in the number of full-day Kindergarten programs in the public schools has affected day time preschool gymnastics numbers.

• **Other Sports Programs** - Swimming, Cheerleading, Dance, Martial Arts and Mobile Programs seemed to hold steady or are growing.

• **Education** - These programs either held steady or grew for the vast majority of respondents. Our industry may be responding to the full-day kindergarten programs by opening educational programs of their own!

• **Entertainment** - These programs either held steady or grew for the vast majority of respondents.

#### PROJECTED PARTICIPANT NUMBER OBSERVATIONS (UPCOMING 12 MONTHS)

• **All Programs** - Note the PRO-NOUNCED and RADICAL shift in expectations to the right side of the chart. The question is whether this unbridled optimism is due to human nature, wishful thinking, an Olympic Games year, program and/or facility expansion, or a combination of these and other factors. In any case, if the power of positive thinking lends itself to self-fulfilling prophecy, then the entire industry is in for quite a ride. This will be most interesting to monitor and compare at the end of 2008.

**Current Number of Facilities** - It will be interesting to compare this statistic forward. Historically, most owners have only had one facility. The number of people with 2+ facilities (28.9%) is definitely ON THE RISE!

**Adding Facilities** - 20.3% of the respondents are either going to (10.6%) or are considering (9.7%) opening another location.

**Facility Size** - 81.7% of the respondents have facilities at or under 20,000 square feet. 43.8% are in the 10,001 - 20,000 square foot range, with 37.9% under 10,000 square feet. 18.4% have facilities over 20,001 square feet. This will be another extremely interesting statistic to watch. It also appears that if owners have second locations, that they occupy a smaller space than that of their main facility.

**Financial Software** - About 66% of the respondents use Quickbooks as their primary financial tracking tool, while about 34% either let their accountant do it, or they use a different package or a manual method. ► continue on p.8

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### **Determining Financial Health**

– This is somewhat alarming in that ONLY 34% or less of the respondents use Monthly Financial Statements to gauge the health of their individual programs in addition to that of the overall business. This is a vital operations tool for making intelligent individual program decisions that is under-utilized by most small businesses, not just those in our industry.

**Gross Revenues** - 56.2% of our clubs still generate LESS THAN \$500K in Annual Revenues (estimated 2007 numbers). Only 5.2% generate \$2 million or more in annual revenues. This is another great statistic that will be tracked from year to year.

**Gross Revenue Trends** – Though some respondents recorded declines in revenue, 71.9% either held steady (20.7%) or recorded increases (51.2%).

**Lack of responses to the basic, yet more detailed Financial Questions** indicates a real need for Financial Education among the 40% of clubs that did not respond directly to those questions. In the future, it is anticipated that ONLY those completing the survey will receive the results.

**Net Profit Trends** – 75.3% indicated that Net Profits either held steady (25.1%) or increased (50.2%). This would seem to indicate better fiscal and operational controls than in the past.

**Gross Revenues per Square Foot** – 31.2% of the respondents are generating Annual Revenues of LESS THAN \$30 per square foot. Only 17.7% are generating \$61 or more per square foot. This is a huge gap that will be monitored carefully in future surveys.

**Vital Percentages in relation to Gross Revenues** - Payroll, Rent/Mortgage and Marketing percentages are all over the lot. In reality, there is simply NO standardization for these metrics at the current time, and this is backed up by 3rd Level Consulting's work "in the field." There are TARGET Industry Standard metrics that have been established by experts. If interested, contact 3rd Level Consulting for more information on the specifics.

### **Marketing Spending Plan for 2008**

– Only 34.4% of the respondents plan to spend MORE on marketing in 2008 than they did during 2007. So, apparently 65.6% of the owners are not aware of a prime marketing tenant which states that you usually "add a peak to a peak" – meaning that when students are flowing into your operations in a natural cycle, you instantly advertise more to take maximum advantage of the opportunity!

**Rating of Perceived Return on Marketing Dollars** – Note that some of the significant combined yields for marketing methods that are rated either Outstanding Return or Above Average Return are:

- Word Of Mouth: 96.6%
- Web Site: 59.3%
- Public Relations 54.6%
- Community Involvement 52.2%
- Direct Mail: 51.2%
- Television: 15.8%
- Yellow Pages: 16.7%
- Newspaper Ads 7.4%

### **Actual Marketing Expenditures for 2008**

– The perception of marketing effectiveness on the part of the respondents actually lags behind the way they spend money. Note that the actual projected percentages for Yellow Pages, Family Magazines and Newspaper Ads are above the percentages relative to perceived return.

**Database-related Issues** – There are a wide range of software applications being used, with a growing segment (20.5%) going to web-based packages. There are still a significant percentage of owners using custom software (17.2%) or a manual/none "system" (23.4% combined). There is also a marked increase in companies using their software for staff scheduling and for monitoring student progress. The two most requested future features were more comprehensive reporting options and more options for email and attachments.

**Insurance-related Issues** – It is very interesting to observe the importance rankings on the various

types of insurance. There is obviously a growing awareness of insurance coverage issues among owners. More and more owners are utilizing this form of asset protection than ever before, in the form of Liability and Accident/Medical coverage, "Catastrophic Cash," Business Interruption insurance, and more. 62.1% of owners feel that Health Insurance is vital (Absolutely Critical or Very Important) for their own family, only 45.1% feel that it is just as vital for key staff members.

**Full Time Staff Members** - 44.6% of the responding businesses have 5 or more full time staff, but only 12.1% have 11+ full time staff. Just 5.4% of the businesses have 16+ full time staff.

**Part Time Staff Members** – Lots of variation here. Future surveys will correlate the RATIO of full time to part time staff.

**Base Pay for Full Time Staff Members** - Finally! 74.1% of respondents are paying their full time people a base of \$24,000 or more, with 18.7% of respondents paying \$36,000 or more.

**Bonus Pay for Full Time Staff Members** - Also better! 54% of respondents are paying their full time people an annual bonus of \$1,000 or more, with 32.2% of respondents paying an annual bonus of \$3,000 or more, and 9.4% of respondents paying an annual bonus of \$6,000 or more.

The entire survey was released through USA Gymnastics (through its Member Club newsletter) in December, 2007, as well as through 3rd Level Consulting. If you did not receive the surveys (both the Overall CAC Industry results as well as the Gymnastics-specific results), you can download them for free at 3rd Level's online store at <https://3rdlevel.infusionsoft.com/cart/store.jsp>.

For information on 3rd Level's professional services, visit [www.3rdLevelConsulting.com](http://www.3rdLevelConsulting.com).

Frank Sahlein has been involved with Sports Instruction since 1967 – as Gymnast, Martial Artist, Coach, Business Owner, State Director, Consultant and Business Broker. Frank pioneered the Children's Learning Opportunity Center (CLOC) concept – a unique blend of Sports Instruction, Child Care & Education, Entertainment and Outreach. ✕