

# Considering Lower Prices?... Consider Carefully

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**W**ell, it is happening, at least a handful of gym clubs are lowering their prices due to the recent economic "situation". My position on this issue is the same today as it has been for decades when I have said tongue in cheek, "I will never lower prices and if I do, it will only be in a dire emergency." Restated without the tongue, if you are ever inclined to lower prices, do so only with very careful thought because I have never (yet) seen a gym club win a marketing battle through lower prices. That said, I am well aware these economic times are NOT normal, and it is possible we may see a day when clubs will find higher profit through lower prices. For Kids First, that day is not here, nor do I expect it to be - but as always, I will stay vigilant.

## Let's review the fallacy with the low price argument:

The low price, high volume argument is valid when you sell products that have been COMMODITIZED. To a buyer wanting to purchase Energizer AA batteries, what difference is there other than price (and, possibly, convenience)? None. Long ago, WAL-MART bet that by lowering

prices on its "commodities," it could increase profit on 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, as more batteries went out the front door, WAL-MART was able to deliver more batteries in through the back door.

Our product is as far from being 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, harsh manner in which it is taught) can be HUGE in the eye of the consumer, even though a cartwheel is the end result in both cases. Most consumers will be willing to pay more for cartwheel A, the pivotal word being 'most.'

It is also typically true that it costs more to produce "cartwheel A" (more skillful teachers and less turnover of employees typically costs more), but the revenue generated by the higher price will out pace the higher teaching cost, translating into increased profit. Note that many products (such as batteries) may start out

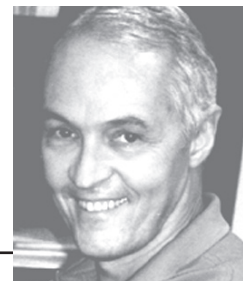
with uniqueness but become 'commoditized' over time due to standardization, patent loss, competition, stale marketing, etc. It is my assertion that gymnastics instruction, because it is a 'pure relationship business,' is not likely to ever become commoditized. The process of relationship-building will always have room for VALUE-ADDING. The formula I follow is this: the gymnastics club that figures how to add more value will be able to charge more for that value and will win the battle for profit.

Suggested action in this economy and any economy, looking forward: perpetually search for ways to ADD VALUE to your cartwheels (in the clients' eyes) and CHARGE for that value. Start by looking for adding value that has no or little cost (more smiles and more caring people come to mind). When that bears fruit, consider capital expenditures such as new equipment, expansions or new facilities. Perpetually seek to add value daily, weekly, yearly until it is a habit and finally a culture. And then, never stop doing it.

Make it a great fall! Jeff Metzger  
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