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**VALUE RECEIVED PRICING – V R P** Establishing prices for an aquatic program - First and foremost we simply must break the mold that has been carried over from the past.

#### ***PAST METHOD #1 PRICE TAKERS/PRICE MAKERS***

There must be a difference between the *PRICE MAKERS* and the *PRICE TAKERS*. Can you imagine the confusion and financial destiny of the store that allowed the customer to pay whatever they thought was “fair” for bread and milk? Or the insurance company that lets you pay whatever you can afford for health insurance. Yet, in the recent past and even currently, the people who are going to use the service are the one’s setting the fees. While for some swim clubs run by a volunteer parent board this may be an admirable undertaking, it is not an effective way to conduct a business.

#### ***PAST METHOD #2 COMPARATIVE PRICING***

The swim school or pool down the street charges this many dollars so we can charge so many dollars more or less. If you are in business to collect fees rather than offer service, then this is probably the system that set your original pricing. However – the pool down the street is probably in as much of a tentative financial situation as you are so why copy averageosity? Plan to offer a superior service and set your pricing so you can afford to do so.

#### ***PAST METHOD #3 TRADITIONAL PRICING***

We’ve always charged this much so that is what we must go with! This is propagated by the fear that customers will leave if prices are noticeably raised. This mind set does not consider that utility prices have doubled in the last 20 years or that construction that used to cost \$28 a square foot now cost \$128 a square foot. We also have new equipment and technology that is necessary if a business will compete. Salary requirements are up over 30% the past 20 years not to mention benefits. Traditional pricing simply cannot keep up.

#### ***PAST METHOD #4 SHARED FUNDING PRICING***

This is perhaps the most common and most dangerous form of pricing. It assumes that the patron or client is not responsible for paying their fair share of the cost of running a facility. This is common in a municipality or university/school setting. Somewhere along the line the actual cost of building the facility became synonymous with the cost for programming. This is a sure-fire formula for negative cash flow and eventual facility financial failure. If tax dollars or activity fees build a facility – that is what they accomplished. The facility is now there for the community to use. Programming must be designed so that the operational cost of the facility and staffing of the programs is paid for as a separate “business”. Even non-profit businesses should not lose money. Operational subsidies are becoming a thing of the past.

**Value Received Pricing** - This is where we all need to be headed. The facilities and programs that are currently using this structure are financially self-sustaining. Many Park Districts have adopted a form of this pricing over the past few years. It is really a very simple and extremely effective method. It is based on the following premises when compared to your local or regional competition:

1. You will hire a more prepared and competent staff and make sure you advertise their certifications and or licenses.
2. You will make sure your facility offers more and better amenities that offer your clients advantages not available elsewhere.
3. You will make "customer service" your motto and train staff accordingly.
4. You will offer the best programs available anywhere and make sure your clients and staff believe this and deliver.
5. You will make sure your facility is always super clean, super accessible, and super friendly

When establishing a PRICE for a specific program you must consider all aspects of the facility. Below is an example of programs using **Value Received Pricing**:

**Programming:**

Necessary income to support indoor facility	per hour	per week	per month	per year
12,000 sq ft facility	\$152	\$6,080	\$26,144	\$313,728

**Necessary Program**

<b>Annual Income:</b>	Competitiv	Learn2swim	Community	TherapyRen
12,000 sq ft facility	\$99,000	\$60,000	\$88,200	\$90,000
	100x\$99mt	based on fees	150x\$49mth	\$50-\$70 hr
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Based on **VRP** (Value Received Pricing) for 12,000 square ft. facility as an example

**Postulate:** Any single program must be able to generate enough income to cover 50% of the per hour rate.

**Assumption:** In a multiple pool setting at least 2 separate programs will conducted simultaneously.

**Program Pricing Analysis: Learn-to-swim**

Program Expense:		
Pool rental per hour		\$35
Instructors compensation		\$15
Benefits based on 25%		\$4
Insurance based on 3 million		\$3
Staff certification & Continuing Ed		\$1
Capital fund		\$5
Program Profit		\$5
Equipment maintenance and replacement		\$1
Advertising and Marketing		\$2
Program overhead		\$5
	Expense	Income
	Sub Total >	\$76 per hr

Income	Based on the hypothetical subtotal:	Per 1/2-hour fee
	1:1 Aquatic personal training or private lessons	\$38
	Semi-private (spotlight)	\$19 x 2
	Small group (3 or 4)	\$12.50 x 3

Profit margin increases as multiple sessions are conducted by multiple instructors income is based per hour rather than per program.

**Program Pricing Analysis: Continuum/Community**

Income	Based on the hypothetical subtotal:	Per 1/2-hour fee
	1:1 Aquatic personal training or private lessons	\$38
	Water Rental	\$35
	Programming - monthly \$49	\$49

**Program Pricing Analysis: USA Swim Team**

Income	Based on the hypothetical subtotal:	Per 1/2-hour fee
	1:1 Aquatic personal training or private lessons	\$38
	Water Rental	\$35
	Programming - monthly \$99 and up	\$99
	Registration-seasonal (Based on 3 seasons @ \$100 each) per month =	\$25

In summary learn to swim lessons would be priced as follows:

*\$38 per ½ hour for each private lesson*

*\$19 per ½ hour for each person for each semi-private lesson*

*\$9.50 per ½ hour for each person for each 4-person group lesson*

In summary Community sessions would be priced as follows:

*\$38 per ½ hour for each personal training session*

*\$35 per ½ hour for each class shared by number of participants*

*\$49 per month per person for “window of exercise” aquatic access*

In summary USA Swim team would be priced as follows:

*\$38 per ½ hour for each private stroke lesson*

*\$99 and up per person for monthly training*

*\$25 and upper person per month amortized seasonal registration*

In summary “water rental” options for therapy or other instances would be priced as follows:

*\$50 to \$70 per hour for a designated pool plus a per person price for parties and special functions.*

Each facility will have their own nuances and opportunities for positive price variations. Once VRP is understood and used for a while these can be easily addressed. All programs however must be held accountable to the VRP bottom line.

An important part of **Value Received Pricing** is the Staff Education and Excellence component.

Income and Growth are important but what about all the things that support programs to make them sustainable, popular, and profitable?

The #1 support mechanism for any successful program is your employees. Of importance is:

- Education of your employees
- Delegation of responsibility to employees
- Trust and rewards to employees
- Acknowledgement of their importance
- Having the proper titles, job descriptions, and number of employees to service

Customers in-return can expect:

- Best anywhere service for your clients
- Exceptional new program development
- Pricing that supports sustainability
- Operational efficiency and effectiveness including safety and ascetics
- Retention
- Growth that does not infringe on existing programs or operations

**BOTTOM LINE** – It is your employees that make the difference. They are the reason you have customers and generate profits. Employees create sustainability and success.

The business **LEADER** will need to focus 70% of their effort and time on employee support and development. It may be hard to grasp but employees are just as important as clients. They are interdependent. You focus on your employees and let them focus on the clients.

#### **Methods:**

- Develop and market a unique **CULTURE**. Your employees must understand all aspects of this so they can implement it throughout all programs.
- Market your core values of the business. Beat your own drum. Blow your own horn.
- Diversity is important. Train your employees in leadership, coaching, teaching, mentoring. Every employee should be able to step into any role and do a competent job.
- Communication is much more than a “catch word”. If you do not constantly improve your own and your staff’s skills and methods, you will not survive.
- Spend dollars investing in your staff’s professionalism. Protect your investment with understandable and fair policies.
- Have passion, commitment, and professionalism. Lead by example and then expect it of your employees.
- Set goals and become a master of Objectives, Strategies, and Tactics with your staff. Goals need to be identified in 3 main categories:
  - Growth and success of the business (profitability)
  - Dedication and development of the staff (professionalism)
  - Customer satisfaction and retention (programming)

Employees need to manage the programming and customer service and the manager needs to lead the employees. The ultimate goal of all programs should be to improve the quality of lifestyle of the client. Once this is accomplished in any form or stage, the leader, staff, and clients all need to celebrate one milestone of success. All people like to accomplish something and then be acknowledged. This process becomes part of the **CULTURE** of the business. Acknowledgement works coming from the **TOP DOWN**. It can be destructive the other direction.

## Objectives Strategies Tactics

It's all about POTENTIAL. Don't make it more complicated than that.

Objectives – *What do you want to accomplish?* You can be afraid of failing and still function. You must lay it on the line here and now. Your objective or goal needs to be both qualitative (when) and quantitative (how much). An objective is not: “grow the business” that is a dream. “During the next 6 months we want to increase our client base by 20% with 90% retention” – that is an objective.

Strategies – *The plan or map to get there.* Many times, an objective needs to sit and be “tossed around” as an idea before the time is right. When the strategy develops, then it is time to move. You've always heard TIMING IS EVERYTHING.

Tactics – The *who – when – how* - phase. This is the success fail zone. This is the phase we do not usually spend near enough time doing follow-ups and lending support. Action does not happen – remember Inertia? Someone has to be made accountable and given the resources and guidance to make good things happen.

**Pricing is not #1** - Effective managers and program directors understand this phenomenon and help the staff-team recognize that it is especially critical in tough economic times to help customers visualize the difference between price and cost.

They direct the staff team to focus on value.

**Price must not become the major issue and it should be the last issue on the table and not the first.** If people understand their value propositions and can communicate that value while providing real solutions, then price does not become the deciding factor.

- **Remember:**
  - Price isn't part of your value proposition
  - The art of selling has nothing to do with price
  - Value trumps price
  - Value is determined by the customer --- not you

Most companies have created the mythical term “added value”. It's a term that many have never really understood. It usually is a bunch of gibberish containing very little value. If I asked you individually to describe what added value is, some of you probably would have a hard time with it.

**Value is defined as the dominant benefit you provide that helps your customer produce more, benefit from, and/or profit from or satisfy a need.**

This is a selling approach that focuses on helping the customer solve their problems without regard to “making a sale”. That means everyone must be part of the sale!

Most Important – often ignored by the staff-team

- “What words create the greatest engagement or stimulate questions from the customer? Don't sell rather answer questions

□ “What is the customer really interested in? The Value Proposition if used properly can;

- ELIMINATE or reduce competition.
- Set forth things that make you the only choice.
- Create competitive advantage

Once again – It's staff-team education and training. Believe you are the best then become the best.

## **The Commodity Perception & Value Propositions**

If you can't separate features and benefits from the real value you create for your customers, you will not overcome the "Commodity Perception". Remember, if you can't overcome the commodity perception, then price becomes the major determining factor your customer will use in his buying decision. On the other hand, if you can identify your real value propositions and make them clear to your customers by providing solutions, price is rarely an issue.

Value added must become not only a common term, but it must become engrained in your culture. Every decision you make should consider the question WIIFMC? (What's in it for my customer) Take a good look at your own business and at your competitors. What do you offer that adds value to what you sell? Ideally, it will be added value that your competitors cannot easily duplicate in their own offerings, and it will not add to the cost of the basic product or service. It will be based on your true core competencies.

How Do We Sell Our Value Proposition?

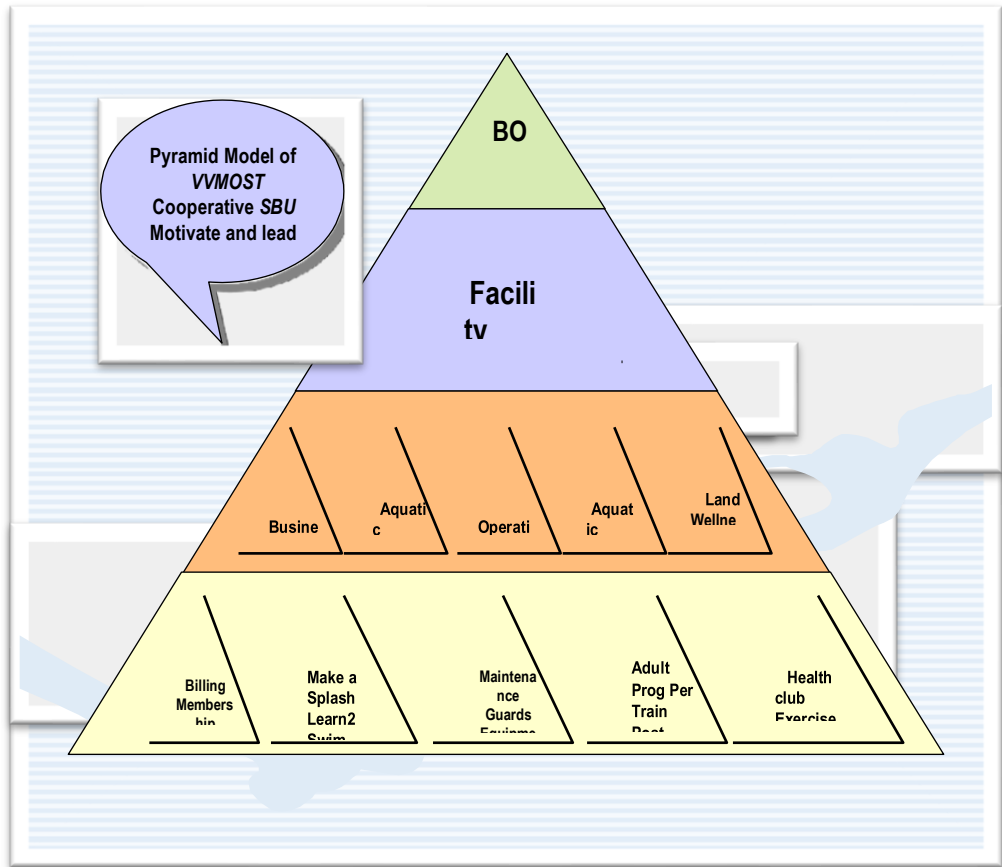
- Separate selling from problem solving
- Take all your industry experience and knowledge to understand the customers need
- Present alternative solutions—define your value propositions in terms of WIIFTC and let the Customer decide
- Apply your knowledge and experience to the customer's point of view.

Value can be added through process, technical support, design assistance, inventory management, cost effectiveness, training and leveraging your core competencies. However, to create real competitive advantage you must have a staff that understands and executes best practices that focus on profitable growth and increased market share. That does not mean that every staff person has to be a super star, but it does mean that your staff have to understand value added, your value propositions and be able to teach the customer the difference between price and cost.

Answer the following questions as thought stimulators.





1. Can you educate the difference between price vs. cost? What makes the low price –high cost?
2. How committed are you to your industry?
3. How well do you know your customers objectives?
4. How adept are you at identifying indecision?
5. Are you more concerned with your customer's success?
6. How well do you accept personal responsibility for failures?
7. Do you know your four largest markets?
8. What are the 3 largest sources of indecision in your customers lives?
9. What are your customers' WANT and NEED?
10. What are you doing with that knowledge?

Discuss these questions with your key staff in a brain storming session or during one on one coaching sessions and you may uncover opportunity for improved results. Taken (with permission) from excerpts from the CEO Strategist.



The above is merely a sample for a multiple pool facility that focuses on Total Aquatic Programming. The number and salary range of the staff will be totally dependent on the size and location of the facility and the business plan emphasis on specific programming.

## Aquatic Profession Career Progressions

	<b>Title</b>	<b>Qualifications &amp; Certifications</b>	<b>Salary Range</b> <i>(does not include bonus)</i>
	Aquatic Program Aid Tech Lifeguard	CPR – AED – First Aid – Water Safety Within 1 <sup>st</sup> 6 months Specialty certs within 1st year	\$8.00 - \$9.90 per hour - Flex time
	Aquatic Specialist (Instructor –	CPR – AED – First Aid – Water Safety – CPO – Specialty Certifications	\$10.00 - \$15.90 per hour Flex time + benefits
	Aquatic Manager* (Supervisor)	CPR – AED – First Aid – Water Safety – CPO– Specialty Certifications &	\$16.00 - \$19.90 Full time or Flex time + benefits
	Aquatic Director*	CPR – AED – First Aid – Water Safety – CPO - Specialty Certifications &	\$20.00 – up Full time + benefits
	Aquatic CEO*	CPR – AED – First Aid – Water Safety – CPO - Plus seminars – conferences –	Salary & benefits commensurate with responsibility and experience

For more information about VRP or programming e-mail [sue@totalaquatic.llc](mailto:sue@totalaquatic.llc)



**Putting it in perspective:**

**per time or  
day**

The average family of 4 (2 adults and 2 children) pay \$33 for tickets into a theater plus \$25 at concessions stand

\$58

The same family pays over \$100 for a dinner at a mid-priced sit-down restaurant like Red Lobster or a local steak house

\$100

Open bowling cost \$4.50 per line with most people bowling 3 games 4 people x 3 games plus shoe rental and a soda to drink

\$70

Entertainment eateries like Chucky Cheese, Mr. Biggs, Itz, etc. charge a family of 4 for admissions, game coupons, and buffet around

\$76

A round of golf for 4 people with cart at a public golf course cost around This does not include snack bar.

\$220

For a family of 4 to do a take-out chicken family dinner and go to a public park for a picnic

\$32

For a family of 4 to go to the Zoo

\$54

Does not include concessions or pay-as-you-go attractions inside

For a family of 4 to go to an amusement park like 6 flags Does not include concessions or pay-as-you-go attractions

\$148

For a family of 4 to visit and tour a cave or similar attraction

\$54

For a family of 4 to belong to a health club (based off monthly fee)

\$90-140

For a family of 4 to have an all day pass for a pool

\$18-22

**The pool = best deal in AMERICA and we tend to give it away.**