



How can aquatics facilities operate "in the black" - success strategies in design, operations, programming and fee structures; common mistakes facilities make; success stories; etc. .

strategies in design

Facts: We definitely need more pools in this country. Pools are being decommissioned because of cost to repair and cost to operate. The population base is rapidly growing. The baby-boomers are here. We need aquatic facilities and recreation centers that fulfill new needs.

Many "new" projects are being planned by schools and municipalities. Because they have a "due diligence" responsibility, they all want to know "who can I call to talk to about the ideal facility and how it is operating?" The partial answer is that you can't call them because they are not there – YET. The pioneers and entrepreneurs are out there but are involved in the planning and design stages so their "successful model" will not be online for a few years.

Many consulting and design firms who are contracted to offer advice for type and size of facility are looking at what has been done in the past and how it needs to be modified for the future. This is not the only information you should depend on. Many solutions and plans we have reviewed are simply face-lifted relics of days gone by or rely on aquatic fad-based gimmicks.

In the 1990's there were examples of Fortune 100 companies who were ready to go out of business. Now in 2008, some of them are credited with being cutting edge and futuristic in their product development and service. How did this happen?

1. They looked for ideas outside their normal focus.
2. They built products and services based on their predicting the needs of their potential customers.
 - a. Basic designs do not always have to come from architects, engineers, marketers, or consultants. They can come from anywhere – within or from outside the organization.
 - b. The main premises are the product or service has to be:
 - i. Functional
 - ii. Energy efficient
 - iii. Programmable and user friendly
 - iv. Sustainable
 - v. Economically feasible
 - vi. Esthetically pleasing
3. Most people can only advise you to duplicate what already has been successful to some point. Have the audacity to think about what will be "needed" before considering what is wanted. Even the end user may not have figured this part out yet. Disney makes this an art-form.

4. If you are afraid to stumble and fall – don't enter the race. It is hard to get to the future one step at a time. You must be willing to take leaps of faith. A successful project is a conglomeration of mistakes that have been corrected and never repeated. Apple makes this an art-form.
5. Learn from available information that can be looked at differently. Develop products and services that define new categories and markets rather than products that compete in existing markets. Sony makes this an art-form.

If you hang your hopes solely on frilly curvy leisure pools – I have some racquet ball courts, you also may be interested in.

There is a “pay me now or pay me later” scenario that will be hovering over the project for life if wrong decisions are made. There is no such thing as a RIGHT DECISION that fits every project. Some of the things that have to be thought through are:

- What are the capital investment limits for the project?
- What are the demographics the facility will serve?
- What are the geographic particulars for your area?
- Is this a phased project or will it be “what you see is what you get”?
- Do you need some pools indoors and some pools outdoors?
- What are your design team's limitations?
- What are your local code restrictions?

Listed below is a place to start your discussions:

Type of building	32,000 sq.ft	Building Cost	Annual Operational Cost - 4 seasons climate
PVC Membrane seasonal building convertible to outdoors in summer		\$640,000	\$608,000
Arch.Membrane permanent building		\$1,120,000	\$512,000
Pre-engineered steel building		\$4,640,000	\$384,000
Brick & Mortar building		\$8,000,000	\$352,000
Monolithic Concrete Dome building		\$3,900,000	\$224,000

Prices are ESTIMATES for budgetary purposes only and do not include pool pricing or FFE. Operational cost do not include salaries - taxes - depreciation - debt payments.

For example:

If you decide on a steel building for the natatorium, the basic operational cost over the first 20 years may be \$7.7 million with a \$3.7 million cost to maintain and upgrade over that period of time. Compare that to a Monolithic Concrete Dome structure which – over the same period of time – should have a basic operational cost of \$4.4 million with a \$2.2 million cost to maintain and upgrade. Compare \$11.4 million to \$6.6 million and you be the judge.

This is what we mean when we say, “sustainable design”. Can you afford to build it and then operate it?

programming and fee structures

There are two things that will remain true throughout the life of the project. Success will be measured by:

- The comparison of the actual bottom line to the forecasted budget
- The level of customer satisfaction and loyalty and proof thereof

The TAP (Total Aquatic Programming) business plan must make financial sense and be able to be implemented and carried through. Some “presented” plans that we have seen are very impressive but end up being sheer fiction and have no chance to ever approach the practical. Style can never over-shadow substance. You must take the time to not only build a programming model that will show where you are going to end up after 18 months and 36 months, but it has to be understandable and a quick read. Many programming models are too detailed and will limit future flexibility to grow or change. Present basic categories with budget predictions then stop. Use a spreadsheet program such as Excel so when you change a figure the totals are automatically adjusted. Be prepared to answer questions asking for more details but don’t invite them. This is not new science, but you’d be surprised how many times investors or management finally buy into a concept only to see it go down in flames by a BOD or group that just doesn’t get it.

When planning you must understand and be able to explain the difference between a Goal an Objective and a Tactic. A goal is a dream. An objective can be quantitatively and qualitatively tracked and measured and there is a success plateau that can be reached and proven for different stages. A tactic is how it will be done, who is going to do it, and when it will start, be evaluated, and finish. Make recognizable distinctions between these processes. Business Plans are an art form and you may need professional assistance to develop yours.

Value Received Pricing

As aquatic professionals, it is time to realize that we must break the pricing mold that has been carried over from the past. Here is some information that may be of assistance when establishing prices for your aquatic programs.

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 customers to pay whatever they thought was “fair” for bread and milk? How about the insurance company that lets you pay whatever you can afford for health insurance? Yet, in many instances in aquatics, the people who are using the service are the ones setting the fees! While for some swim clubs run by a volunteer parent board this may be an admirable philosophy, it is not an effective way to conduct a business.

PAST METHOD #2: COMPARATIVE PRICING

“The swim school or team down the street charges this many dollars so we can charge this many dollars more or less than they do.” 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 people down the street are probably in as tenuous a financial situation as you, so why are you copying their structure? Plan to offer a superior service and set you pricing so you can afford to do so.

PAST METHOD #3: TRADITIONAL PRICING

“We’ve always charged this much so that is what we have to stick 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 for a business to remain competitive. Salary requirements have risen over 30% during the past 20 years, not including benefits. Traditional pricing simply cannot keep up with escalating costs.

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 his 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 guaranteed formula for negative cash flow and eventual 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 business separate from debt reduction and open community use. Even non-profit businesses should not lose money! Operational subsidies are becoming a thing of the past.

THE FUTURE: VALUE RECEIVED PRICING

Value Received Pricing (VRP) should be the pricing philosophy for the future. Facilities and programs currently using this structure are financially self-sustaining. Many park districts have adopted a version of this pricing over the past few years. It is really a very simple and extremely effective method. VRP is based on the following premises when compared to your local or regional competition:

1. Hire a more prepared and competent staff and make sure you advertise their certifications and or licenses.
2. Be sure your facility offers more and better amenities not available elsewhere.
3. Make "customer service" your motto and train staff accordingly.
4. Offer the best programs available anywhere.
5. Be sure your clients believe, and your staff delivers.
6. Make sure your facility is always super clean, super accessible, and super friendly.

When establishing a price for a specific program, consider all aspects. Below is an example of Value Received Pricing. This example is based on a 12,000 square ft. facility.

Assumptions:

1. Any single program must be able to generate enough income to cover 50% of the per hour rate.
2. In a multiple pool setting at least 2 separate programs will be conducted simultaneously.

Programming:

Necessary income to support indoor facility 12,000 sq ft facility	per hour \$152	per week \$6,080	per month \$26,144	per year \$313,728
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Necessary Program Annual Income: 12,000 sq ft facility	Competitive \$99,000 100 x \$99mth	Learn2swim \$60,000 based on fees	Community \$88,200 150 x \$49mth	TherapyRent \$90,000 \$50-\$70 hr.

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

Program Pricing Analysis:

Program Expense:	
Pool rental per hour	\$35
Instructors compensation	\$15
Benefits based on 25%	\$4

Insurance based on 3 million liability		\$3	
Staff certification & Continuing Ed		\$1	
Capital fund contribution		\$5	
Program Profit		\$5	
Equipment maintenance and replacement		\$1	
Advertising and Marketing		\$2	
Program overhead		\$5	
	Expense Sub Total >	\$76	Income per hr needed

Learn to Swim

Income	Based on the hypothetical sub total:	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

Continuum/Community

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

USA Swim Team

Income	Based on the hypothetical sub total:	Per 1/2-hour fee
	1:1 Aquatic personal training or private lessons	\$38
	Water Rental	\$38
	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

Community sessions would be priced as follows:

- ◆ \$38 per ½ hour for each personal training session
- ◆ \$38 per ½ hour for each class shared by number of participants
- ◆ \$49 per month per person for “window of exercise” aquatic access

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

“Water rental” options for therapy or other instances would be priced as follows:

- ◆ \$50 to \$70 per hour for a designated pool
- ◆ a per person price for parties and special functions

Each facility will have its' own nuances and opportunities for positive price variations which can be easily addressed once VRP is understood and implemented. However, it is crucial that all programs be held accountable to the VRP bottom line.

common mistakes facilities make and why they do not turn a profit

Including the points listed above, the mistakes (or resistance to change to a newer program model) are the reasons profit is limited. Simplifying a multi-tiered concept, the main points to concentrate on in a positive way are:

1. Understand and take advantage of the fact that some (many) customers will pay a premium price for upper level optional programming. This can support the business plan and be a factor in outreach offerings.
2. Spend time and money on staff certifications and training and then market the heck out of the fact that you have the best programs and staff anywhere.
3. Activate a professional risk management program for your facility.
4. Make sure the facility is safe and aesthetically the best it can be.
5. Commit to the importance of a capital improvements and maintenance account that has adequate dollars in it to repair, renovate, and upgrade facility on a regular basis. This has to have income dollars allocated to the fund every pay schedule – just like an employee.
6. Constantly evaluate operational cost for effectiveness and efficiency.

There are 3 main areas each with 2 sub-areas - of aquatic leadership importance:

- **The Facility**
 - **Aesthetics**
 - **Safety**
- **Staff**
 - **Certification**
 - **Style**
- **Participants**
 - **Satisfaction**
 - **Goals**

The FACILITY: It really doesn't matter whether you are renting a facility or own your own, the principles still apply.

- The facility must be clean, and attractive. Everything from the parking lot to the reception area to the shower rooms to the pool itself has to say welcome to our facility and we care about both the facility and the patrons.
- Risk management is and always has been super-important. However, it is receiving more public attention than ever before. You have to have a "plan" and make everyone aware. The days of winging it are gone. There are great nationally recognized firms that specialize in helping you development and implement your plan. For more information contact sue@totalaquatic.llc

The STAFF: You can never spend enough time and resources on staff training and support. Teamwork has become a catchphrase, but it is so important.

- Staff training and certification benefits everyone. The certification needs to be relevant and from a reputable organization. There is much more to aquatics than just first aid and CPR. Once certifications are achieved, all clientele need to be made aware that the staff is among the best in the country.
- Each staff member must be conscious of their personal style. How do they appear and relate to others? No one should ever think their "style" is proficient. Improvement is something that just doesn't happen, it is caused. Staff motivation and a concerted effort to be better than last week is critical.

The PARTICIPANTS: These are the people who write the checks. Without them the business does not succeed. Many customer service businesses fail because the staff did not recognize what it took to keep people happy, healthy, and coming back day after day.

- Customer satisfaction is a daily challenge that has to be discussed, analyzed, and tracked. Customer comment cards should be available at the front desk. Periodically the staff needs to talk with the participants and see how they feel they are doing.
- Do all participants have goals? Have they been taught goal getting? Have you discussed their personal plan and the benchmarks they will use along the way? People quit because they feel they are wasting their time.

We are in the SERVICE BUSINESS. "Aim to please!" Remember the code word **AIM.**

- **A**ppreciated = always make people feel their efforts are appreciated. Don't forget staff and customers are both equally important.
- **I**mportant = make someone feel important whenever possible. This applies to both clients, co-workers, acquaintances.
- **M**ore = give people more than they expect and more than they have paid for. Quantities of Quality!

Lastly – Every facility has a better chance of success and survival with Total Aquatic Programming. Every program has a very important place in the culture of success. It is very difficult to have one program functioning with one plan, delivery method, and staffing philosophy while another program works an entirely different way. Aquatic programming has way too many commonalities for us all not to take advantage of the above 6 points and collaboratively make the business a sustainable success.