Gymnastics
Business Plan

Presented by
Karen Mihalek
Pearce Wagner
Katrina Whiteaker

October 24, 2012
Overview

- Business Plan Design
- CSD Overview
- Gymnastics Overview & Brief History
- Next Generation & New Facility
- Market Analysis
- Competitive Landscape
- Marketing Strategy & 4Ps
- Financials
- Commission Feedback
Business Plan

- 2-year on-going process
- Started at old Burgess facility
- Plan evolved with the new construction and market trends
- Designed to show where we have been and where we are going
- Opportunity to describe the “Next Generation” of Menlo Park Gymnastics
- Model for future business plans
Community Services Department

OVERVIEW
- CSD operates programs at 10 different facilities sites
- 52 full-time or part-time benefited staff
- 75-125 temp staff
- $6.1 Million Budget (Cost Recovery 78%)

Vision
- Improve the quality of life for Menlo Park residents
- Create a healthy community
- Long-term sustainability
- Increase capacity and utilization of facilities
- Increase brand awareness of the programs and services

Outcomes
- A healthy community
- A safe, secure community
- A strong sense of community
- A vibrant community
- A community nurturing human development
Gymnastics Program

Overview
- Approximately 5,000 participants each year
- 59,000 participant hours annually
- Operates 7 days /week
- Majority of programs include gymnastics classes for children ages 1 to 14
- 75% - 5 years old or younger
- 1/2 Menlo Park residents
- 1/2 are from surrounding communities including: Palo Alto, Woodside, Portola Valley, Atherton, and unincorporated Menlo Park
- Strong reputation for quality gymnastics programs

Vision
Arrillaga Family Gymnastics Center will endeavor to become the most sought-after recreational gymnastics program in the region.
Where we started...

- Began 1962 with contract instructor
- Late 70s grew to 500 students and then struggled
- Early 90s new gymnastics director was hired
- Program grew to over 1700 students
- Averaged 1100-1300 over the years
- Older facility, limited space, shared with gym
How we got here....

- Long standing support from the community for gymnastics
- Measure T priority identified in 2007
- Donor for Gym, Rec Center....and Gymnastics Center in 2010
- $6.2 City Contribution
- 19,400 sq foot new facility approved by Council
- Major transition took place in 3 Phases
Phase I: Relocation into Temporary Facility

- Located on the basketball court at Burgess Park
- Maintain all existing classes
- Keep a vibrant program operating during construction to retain customers and revenue
- Installed March/April 2011 in time for Spring 2011 session
- Successfully maintained revenue with only a small decrease of 8% compared to the old facility

<table>
<thead>
<tr>
<th></th>
<th>4th Quarter (Spring)</th>
<th>1st Quarter (Summer)</th>
<th>2nd Quarter (Fall)</th>
<th>3rd Quarter (Winter)</th>
<th>Combined Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temp Structure</td>
<td>$182,326</td>
<td>$79,210</td>
<td>$198,569</td>
<td>$187,010</td>
<td>$647,115</td>
</tr>
<tr>
<td>Old Burgess Gym</td>
<td>$197,476</td>
<td>$89,653</td>
<td>$220,804</td>
<td>$183,023</td>
<td>$690,956</td>
</tr>
<tr>
<td>Net Loss</td>
<td>$15,150</td>
<td>$10,443</td>
<td>$22,235</td>
<td>$3,987</td>
<td>$51,815</td>
</tr>
<tr>
<td>% Change</td>
<td>-8%</td>
<td>-12%</td>
<td>-10%</td>
<td>+2%</td>
<td>-8%</td>
</tr>
</tbody>
</table>
Phase II: New Facility Construction

- Started May 2011
- 11 month construction period
- New features:
  - All of the USA gymnastics competition equipment for boys and girls
  - Dedicated preschool room
  - Multipurpose room
  - Exercise room
  - Expanded lobby and viewing area
  - Expanded restrooms with changing areas
  - Increase connectivity between the Burgess Pool and Gymnastics Center
Phase III: Opening New Facility

**Grand Opening**
- Facility opened in April 2012
- Grand opening ceremony took place on Friday, May 11, 2012
- Building named the Arrillaga Family Gymnastics Center
- Part of the “Triple Crown” Arrillaga recreation facilities on campus
Next Generation Strategy

Goals for New Facility:
- Operate a high cost recovery business model
- Advance our market position to gain market share
- Maintain or increase the quality of the programs and classes
- Increase the offering of classes and services to the community
- Maximize the utilization of the facility by using contractors and rentals
- Improve internal procedures, policies, trainings, and staff development to create a high performing team
New Org Chart

Recreation Division

Gymnastics Coordinator (Developmental/Competitive)
Pearce Wagner

Program Assistant
Savina Krakowski

Gymnastics Instructor
Ronney Richards

Office Assistant II
Jelena Gaines

Gymnastics Coordinator (Preschool)
Karen Mihalek

Gymnastics Instructor
Cecelia Fisher

Gymnastics Instructor
Nikolia Iakovlev

10-15 Temp Staff

10-15 Temp Staff

10-15 Temp Staff
Gymnastics Market Analysis

History
- Mary Lou Retton & 1984 Olympics
- 1980s major increase in participation
- Private gyms, community center, YMCAs across the US began programs

Industry Trends
- 5M gymnasts (6 years+) in the US
- 4500+ clubs in US
- 76% female
- 80% are 18 years and under
- 6,000 high school teams
- 89 NCAA teams
## Gymnastics Market Analysis

### Health Trends
- Children health is an important issue
- Children today will have a shorter life than current generation by 5 years
- Obesity has tripled in past 20 years
- Decrease in physical activity due to technology

### Demographic & Economic Trends
- 2nd Baby Boom in 2007
- National economy recovering from the worst recession since the Great Depression
- Children have become the central focus and recreational activities are now cultural expectations in some communities

### Gymnastics Benefits
- Promotes reading readiness
- Improved social skills
- Helps increase bone density and prevent osteoporosis
- “Positive choice” extra-curricular activities are less likely to be involved in juvenile crime
Regional Trends

- **Demographic Trends**
  - Menlo Park is known as a desirable place to raise a family – 92% rate MP as place to raise children as excellent or good
  - 72% rate recreation opportunities in MP as excellent or good
  - 84% rate the quality of recreation facilities & programs in MP as excellent or good
  - Menlo Park School District will grow by 18% by 2014

- **Gymnastics Trends**
  - San Jose hosted 2012 Olympics Trials
  - Regional enthusiasm and interest in the sport
  - Increase in participation during or shortly after the Olympics every four years
Competitive Landscape

The five general types in this region:

- Large private gyms
- Small private franchise gyms focusing on early childhood
- City programs using independent contractors
- Non-profit parent operated programs for competitive teams
- Higher end competitive gymnastics programs
Our Competitive Strategy

*Menlo Park Gymnastics* differentiates by:

- Focusing on preschool and recreation programs
- Providing similar breadth and quality of programs and facilities as the private gyms at affordable rates
- Providing extensive class times and offerings based on age and skill level
- Providing a convenient and welcoming location in the Menlo Park
- Providing high quality staff and gymnastics expertise
- New, state-of-art facility
Customer Analysis

**Target Market**
- Children ages 1-14 seeking preschool or recreational gymnastics
- Menlo Park and the surrounding communities

**Secondary Markets**
- Children ages 8-14 seeking a higher degree of gymnastics
- Children seeking other recreational activities that could utilize a gymnastics facility (i.e. yoga, cheerleading, martial arts, rhythmic gymnastics and dance)
- Adults seeking programs in gymnastics, fitness, or martial arts.
Market Size

- Total # of children between 0-14 years old in Menlo Park and 6 surrounding communities = **43,700**
- Projections for growth rate is 5% in next 5 years
- MP Gymnastics market share in 2010-2011 was 2.7%
- **Grow to 3.4% or 1,560 participants**

<table>
<thead>
<tr>
<th>Ages</th>
<th>Menlo Park</th>
<th>Portola Valley</th>
<th>Redwood City</th>
<th>Atherton</th>
<th>Woodside</th>
<th>Palo Alto</th>
<th>Los Altos</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>19.4%</td>
<td>25.7%</td>
<td>0.8%</td>
<td>28.7%</td>
<td>12.3%</td>
<td>3.3%</td>
<td>0.6%</td>
<td>9.7%</td>
</tr>
<tr>
<td>5 to 9</td>
<td>5.5%</td>
<td>3.9%</td>
<td>0.2%</td>
<td>4.9%</td>
<td>2.0%</td>
<td>0.7%</td>
<td>0.1%</td>
<td>7.8%</td>
</tr>
<tr>
<td>10 to 14</td>
<td>1.6%</td>
<td>0.9%</td>
<td>0.1%</td>
<td>1.1%</td>
<td>0.4%</td>
<td>0.2%</td>
<td>0.0%</td>
<td>8.3%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9.4%</td>
<td>7.4%</td>
<td>0.4%</td>
<td>8.8%</td>
<td>3.6%</td>
<td>1.3%</td>
<td>0.2%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>
Marketing Plan

**Marketing Strategy**

The program will differentiate itself from other gymnastics centers by providing the best value and most comprehensive youth recreation gymnastics program in the Menlo Park and surrounding areas at a convenient state-of-art facility.
Marketing Tactics

**Product/Services**
- Wide range of classes/programs offered throughout the week and at various times, including:
  - Parent & Tot
  - Preschool
  - Grade School Development Classes
  - Tumbling
  - Girl’s competitive team
  - Private Lessons
  - High School/Adult
  - Birthday Parties
  - Special Needs
  - Adult Martial Arts

**Newer Items**
- More development classes
- Boys competitive team
- Goal is to offer 5-6 classes per hour
- Yoga
- Facility Rentals (Spinning and Bootcamp)
- Seeking more contract classes
Marketing Tactics

Promotion

- Activity Guide
- Email blasts
- Online website
- Newsletters
- Public Releases
- Advertisements
- Online Calendar
- Social Media websites
- Downtown Banners
- Special Events

New Items:

- New marketing & branding campaign for overall department in 2013
- Sending Activity Guide to Atherton & Portola Valley
- Updating City Website
- Smart phone registration
- More online media promotions
Marketing Tactics

**Place**
- Central location in Menlo Park
- Civic Center
- Burgess Park
- Adjacent to Recreation Center, Burgess Pool, Playgrounds, and Gymnasium
- **New Facility & Equipment!**
Marketing Tactics

**Price**
- $13.50 per class
- Tiered pricing for classes meeting multiple times per week
- 4-6% annual increase
- 25% Non-residents rate
- Compared to other City Programs – Resident rate is 9% less and Non-Resident rate is equal
- Compared to Private Gymnastics Clubs – Resident rate is 50% less and Non-Resident rate is 25% less

**New Price Point Goal:** Increase fees until the average between the resident and non-resident fee is only 10% less than average private club rate ($17.30)
## Financials

### Revenue Projections

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>YR10-11 Actual</th>
<th>YR11-12 Actual</th>
<th>YR12-13 Projected</th>
<th>YR13-14 Projected</th>
<th>YR14-15 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Participants</td>
<td>4377</td>
<td>3709</td>
<td>4678</td>
<td>5414</td>
<td>5684</td>
</tr>
<tr>
<td>Annual Classes</td>
<td>658</td>
<td>533</td>
<td>717</td>
<td>776</td>
<td>776</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>675,472</td>
<td>662,101</td>
<td>939,000</td>
<td>1,014,000</td>
<td>1,054,685</td>
</tr>
<tr>
<td>Delta</td>
<td>-</td>
<td>(7%)</td>
<td>33%</td>
<td>7%</td>
<td>4%</td>
</tr>
</tbody>
</table>

### Expenses Projections

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>YR10-11 Actual</th>
<th>YR11-12 Budget</th>
<th>YR12-13 Projected</th>
<th>YR13-14 Projected</th>
<th>YR14-15 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td>617,355</td>
<td>612,676</td>
<td>874,317</td>
<td>924,000</td>
<td>936,000</td>
</tr>
<tr>
<td>Delta</td>
<td>-</td>
<td>1%</td>
<td>14%</td>
<td>5%</td>
<td>1%</td>
</tr>
</tbody>
</table>

### Cost Recovery Projections

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>YR10-11 Actual</th>
<th>YR11-12 Budget</th>
<th>YR12-13 Projected</th>
<th>YR13-14 Projected</th>
<th>YR14-15 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Recovery</td>
<td>109%</td>
<td>108%</td>
<td>107%</td>
<td>110%</td>
<td>113%</td>
</tr>
<tr>
<td>Delta</td>
<td>1%</td>
<td>-1%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Financials (continued)

- **Year-To-Date**
  - 1507 students this Fall session vs. 992 students last fall
  - New rental revenue approximately $10K
  - New contract classes in multipurpose room
  - On track to reach revenue target of $939K

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>SUMMER</th>
<th>FALL</th>
<th>COMBINED TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>YR12-13</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>79,856</td>
<td>199,237</td>
<td>279,093</td>
</tr>
<tr>
<td>2012</td>
<td>130,639</td>
<td>356,170</td>
<td>486,809</td>
</tr>
<tr>
<td>Delta Increase</td>
<td>39%</td>
<td>44%</td>
<td>43%</td>
</tr>
</tbody>
</table>
Commission Feedback

- Any questions for staff regarding the Business Plan?
- What aspects of the plan are valuable information for the commission to hear?
- What recommendations does the Commission have for using Business Plans for other programs/facilities?