

Merchandising in leisure

To: -All APSE Leisure contacts in the United Kingdom

This briefing paper provides an overview of the role of merchandising in raising additional revenue within leisure centres. In a time of severe budget pressures on leisure funding, this additional income stream is currently under-developed.

Key issues:

- Current secondary spend at leisure centres amounts to only 20 pence per visitor.
- Average centre attendances are over 100,000 per annum offering a large potential market for other products and services.
- Merchandising is typically underdeveloped, limited and not reaching its potential to make a financial contribution to centre running costs.

Local authority leisure services are sharing the brunt of the current budget reductions. As a non-statutory service they are seen by many as a soft target. Few leisure centres operate at a profit, meaning that most require some degree of financial support from their host council. Merchandising is an area for income generation that is frequently missed and leisure managers should ensure that they maximise the opportunity to raise additional income to mitigate the costs elsewhere.

The typical spend per visitor to a leisure centre is £2.49 which includes cost of admission. The actual secondary spend (non entry) equates to around 20 pence which might include food, snacks and purchases of for example swimming goggles. (APSE performance networks). Compare this to the average staff cost per admission of £2.69 and it is clear to see an immediate financial deficit.

The number of centre users is often substantial. The figures below for standard and dual use (schools) centres show that an average swimming pool has 140,780 visits a year generating £351, 000 in receipts. For combined wet/dry sites the average number of visitors is close to 350,000.

Centre	Standard use Visitors	Dual use Visitors	Receipt
Wet	140,780		£ 351,667
Dry	114,135	91,024	£ 285,209
Wet / Dry	345,577	259,031	£ 787,637

By contrast a typical small newsagent has a turnover of £5,000 per week (£250,000 per year) generating a surplus of 33% above cost, with far fewer visitors. Not that it is suggested that leisure centres should become newsagents, but with over 100,000 visitors per annum, the opportunity very much exists to generate income through the sale of other products.

Yet the main focal point of most leisure centres, the reception desk, is rarely arranged to do anything more than collect money and dispense tickets. Other items for sale are often hidden away, without obvious pricing and requiring the potential customer to actively request whether they are sold or not.

Know your customer

Past customer surveys conducted by APSE survey solutions at various leisure centres have identified significant differences in the type and age of visitors (above age 16). In broad terms a standard pool was found to attract 55% women against 45% men rising to 69% women and 31% men at a leisure pool. The situation is reversed at dry sites with 42% women against 58% men. Age wise peaks appear for women in their mid to late 30s and for men in their early 40s. There is also another smaller peak for both sexes at retirement age.

The Sales Mix

There are several areas that should be given consideration in increasing sales volume:

- Product
- Focal points
- Flow
- Vending

Products

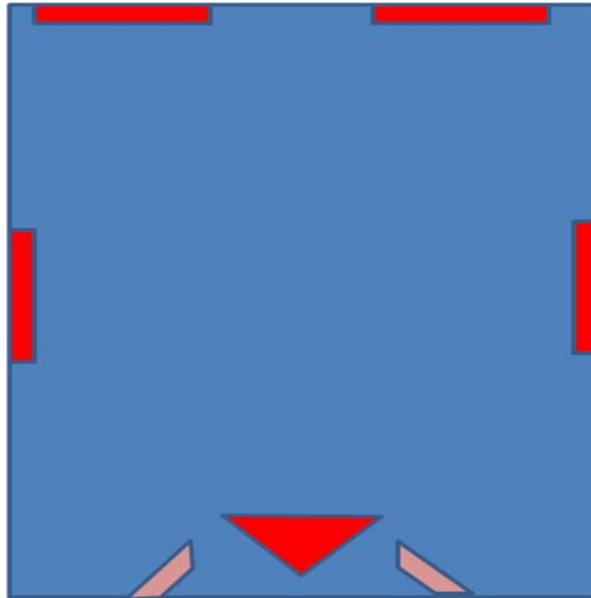
The merchandise available at many centres tends to be very functional and poorly displayed. It is a retailing fact that British consumers want to see the price and where practical to touch products before purchasing

Many offer goggles and swimming caps and limited snacks and drinks, but the opportunity immediately exists to offer shampoos and shower gels, hair-care products and water bottles, head phones and protein drinks for the gym. In those centres with high female attendance products could extend to makeup and skin care products and where there are children, small toys. Expect to pay wholesale between a half and a third at of the ultimate sales price

It is impossible to create a definitive list, but books on healthy eating, exercise DVDs, pedometers and fashion accessories could be appropriate dependent on the location.

Focal points:

There are particular points within any building that naturally catch the eye. These are the places where merchandise should be displayed or advertising messages and posters should be placed on the wall. As per the diagram, the prime areas (marked in red) are immediately around the entrance, straight ahead and at 45 degrees



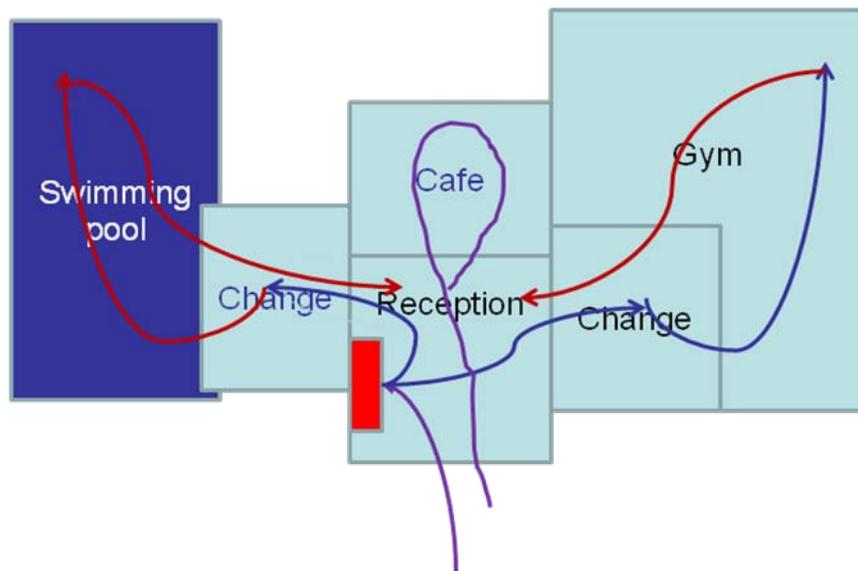
If cabinets are used these should be well lit and where possible products should be displayed as worn. e.g. swimwear on body shaped hangers.

Flow:

It is not by accident that the places where one queues in a supermarket are surrounded by sweets and small value but high margin items specifically positioned to elicit an impulse purchase. Similarly the same technique can be used around the leisure centre counter area where the customer is required to wait to pay. This is the prime location for making the visitor aware of the other products.

As the centre user progresses (flows) through the centre, the appropriate message should again be deployed. Many hotels display signs stating 'Have you forgotten anything?' with pictures of toothbrushes and shaving foam etc. Few swimming pool changing rooms prompt the same question and offer, shampoo, hairbrushes or shower gel. The gym changing rooms can also feature protein drinks. Pools and gyms offer wall space for advertising clothing and more expensive items.

Around the exits from the changing rooms, cold drinks and if there is one, the cafe can be highlighted to tempt its use or that of drink and snack vending machines.



Vending and drinks

Vending machines can be leased over a typical period of 3 years for between £25 and £30 per week. They then require regular cleaning, refilling and cash collection, generating an income of £200 per week with a 40% profit margin.

Alternatively many companies will install, maintain and refill the vending machines, with the leisure centre receiving a fixed commission, usually around 10% of sales. Financial returns will consequently be less but hassle free.

Slush machines offer high margins for limited expenditure. The typical sales value of one drink is around 70 pence compared to a cost of 15 pence. Offering slush drink vouchers at discounted prices along with the entry ticket will immediately boost income.

Tips for success

- Identify your customers
- It's about availability not price
- Mid range quality, rather than tat
- Don't hide what you are selling
- Regular review of sales lines
- Train and incentivise staff
- Be prepared to experiment

APSE comment

Raising income through limited selling of other items is nothing new to leisure centres. The current squeeze on local authority spending, however, means that Councils are seeking to raise income across a wide range of service areas and revisiting the offering within leisure centres is an opportunity that can't be overlooked.

Attempting to raise income through direct entrance charges raises legitimate concerns about maintaining wider access to all members of the community and higher prices may

ultimately reduce demand. Maximising secondary spend is therefore preferential to steep rises in entry charges.

The subject of retailing and merchandising is one that fills many text books and this briefing aims to provide an insight and hopefully some quick wins. Like any area of service delivery it will only be successful with management commitment over an extended period and an enthusiasm to make it happen.

APSE recognises that revenue generation is only one part of the available options for a leisure centre. Savings through efficiencies are equally important – see briefing 11/08

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