apse membership resources

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Pricing and Concessions in Leisure

This briefing looks at the current pricing regime for local authority leisure facilities and seeks to provide a measured basis for those engaged in revising pricing strategy and hence income generation in a time of significant budget constraint.
To all APSE leisure and main contacts in England, Wales, Scotland and Northern Ireland

Key issues

- Few local authority leisure facilities currently operate without some form of subsidy making them vulnerable as a discretionary service when budgets are tight
- Leisure facilities hold a key role in providing opportunities for members of the community to stay healthy, reflected in an average subsidy per visit of £2.15
- Given the wide range of users, there would appear to be opportunities to increase revenue via price in some areas without adversely affecting participation.

Overview:

APSE is a membership based organisation of local authorities, many of whom run leisure facilities. Common leisure facilities include swimming pools (of which public provision has a near monopoly), gyms (where there is intense competition) and various combinations of wet and dry sites plus a myriad of others including golf courses and sports fields.

Using the substantial APSE query system, data was gathered from many authorities in an attempt to assess the basis for the pricing for different facilities and also that of concessions. Additionally, APSE performance networks captures the subsidy per head for various facilities and the last set of data for 20010-11 shows a subsidy per head of £2.38 for swimming pool only sites, £2.03 for dry sites and £1.20 for combined sites. In the same order, the average facility is subsidised to the tune of £80.30, £64.38 and £78.08 per opening hour.

The issue is not a new one. Back in September 1999, The Audit Commission, in the in their publication 'The Price is right?', determined that reviews of charges were typically budget driven and poorly informed; "Few Councils have identified what they want charges to deliver". It also strongly advised that Councils should review charges to "deliver local priorities, improve services and generate income"

What emerges from our recent studies underlines a minimal connection between the prices charged to use a leisure facility and their actual running costs. In addition there is no common basis for determining those entitled to concessions or what that level of discount might be.

In an era where local authority funding has been slashed, leisure as a non-statutory function is vulnerable and options for a longer term sustainable solution are increasingly important.

Pricing:

Starting at the most simplistic:

Price – cost (staff + buildings + utilities + central charges etc) = gross surplus (profit).

Ideally profit (surplus) should be greater or equal to the cost of operating the facility. If this is not the case we can either reduce cost or increase prices in an attempt to reach break-even. Reducing costs has been the main focus for several years (see APSE briefing 11-08 Efficiencies in leisure facility management) but most have shied away from significant price rises.

Price is the part of the marketing mix, but the main one that produces income. It has several functions including:

- Revenue generation
- Cost recovery of operations
- To signify value of service
- Reflection of service demand
- Assist social objectives
- Encourage participation

Of particular importance to those managing local authority facilities is the explicit connection between the social priorities of the authority and the funding that accompanies that. Whilst income from customers makes a significant contribution, like any Council service, there is a cost of delivery and that should be reflected in the budget setting process. A leisure strategy that makes the link between funding and expected output explicit can only strengthen the case for that support.

The business literature identifies a plethora of methods for setting prices, some of which are more relevant to particular markets (e.g. value pricing for expensive German cars) but all should be considered within the price setting process.

Pricing options include:

- Going rate (price leadership)
- Destroyer Pricing (removing competition)
- Loss leader (attracting visitors who then spend on other services)
- Value pricing (higher price to suggest added value)
- Penetration pricing (to attract new participants to establish a new activity)
- Psychology pricing (£1.99 as opposed to £2.00)
- Absorption pricing (an attempt to recover costs based on variable and fixed)

Overwhelmingly authorities adopt what they consider to be the going rate price although this is rarely an exact science. Additional factors including the desire to attract youngsters during the holiday or incentivise particular groups to visit facilities reflect local priorities.

Possibly too frequently, it is assumed that customers will travel to neighbouring authorities if prices are higher. Whilst this may be a factor where facilities are close together, cost of transport will usually outweigh any savings from travelling the additional distance.

Traditional economic theory would suggest that a service is subject to an **elasticity of demand.** Increasing prices will lead to a situation where there is a corresponding decrease in consumption. Conversely, reductions in price will increase demand. An element of this may assist local authorities and many already look at reduced costs in an attempt to stimulate demand during off-peak periods. For a variety of reasons, including political sensitivity, fewer have explored raising prices to increase income until falls in demand cancel out any benefit. There are however examples; one Metropolitan authority was faced with over demand for swimming lessons that it could not satisfy. By raising prices significantly it reduced demand to the point where pool usage was optimised and income substantially enhanced.

Leisure pricing between authorities has significant variations.

Scotland	**Average Adult**	**Average Juvenile**	**Average Concession**	**Low**	**High**
Fitness Classes	£4.42	£2.84	£2.99	£3.30	£6.90
Gym - Pay & Play	£5.22	£3.14	£2.96	£3.15	£7.90
Swimming	£3.40	£2.07	£1.95	£2.25	£4.45
Badminton	£8.61	£5.23	£5.38	£5.25	£13.30
5-A-Side Football	£34.45	£21.27		£20.95	£53.00

The above table covers Scotland showing that even within a single geographic area where one might have expected limited uniformity, the highest prices are typically double the lowest. The higher prices tend to be found in the urban areas where demand is highest but competition with other providers is also fiercest, the opposite too what might have been expected if price competition was operating normally.

Wales	**Average Adult**	**Average Juvenile**	**Average Concession**	**Low**	**High**
Fitness Classes	£3.98		£3.14	£2.50	£5.60
Gym - Pay & Play	£4.81	£2.83	£2.99	£3.70	£6.80
Swimming	£3.24	£1.93	£2.02	£2.20	£4.30
Badminton	£6.90	£4.25	£4.38	£3.35	£10.75
5-A-Side Football	£31.08	£21.00		£25.10	£40.00

The pattern is repeated in Wales where the range across the 22 local authorities is slightly less than the 32 in Scotland but there is little consistency.

Concessions

Typical concessions are applied by most authorities, although the detail can vary widely.

- Registered disabled
- Registered unemployed
- Income support
- Student
- Junior (under 16)
- 60 and over

In addition some authorities include the following not exclusive list:

- Carers.
- Armed services personnel
- Foster carers
- Housing benefit claimants
- Elite athletes
- Free school meal recipients.

Concessions receive a discount on the full price of activities, however again this varies widely between Councils. A typical reduction may be either 30% or 50% of the full fee although some notably Swindon offer discounts of up to 70% for the over 75s and those in receipt of benefit. A host of exclusions are then usually made from certain activities including gym memberships and limits placed on the available times of usage.

Whilst there is a strong political case for offering concessions to those on low incomes, there appears to be little consensus on the size of that discount and to date a lack of detailed analysis on the extent that particular discounts encourage participation

Membership cards

Membership cards along with gym memberships will be looked at in greater depth through a future APSE study. However the membership card offers a low cost way of ensuring that frequent members can enjoy discounts from full charges. The centres also benefit from capturing the contact information of their clients allowing targeted promotions.

Swimming

Local authorities hold a near monopoly on swimming pools yet it is the very facility that costs the most to run and requires the greatest subsidy. Full price adult entry charges range from over £5 to £2.20 and would typically need to be over £2 more expensive to reach break-even.

The occasional family swim could be argued to fill a similar function as other leisure activities e.g. a bowling alley (£6.49 adults, £5.00 juniors per game) or cinema (typical £8.60 adult, £5.85 child, £22.40 family). The cost of entry for single infrequent visits is unlikely to be heavily price sensitive and several centres have raised prices with minimal if any reduction in numbers but a proportional gain in income.

Most authorities laudably view access to swimming as one tool to address issues such as obesity, lack of physical activity in certain age groups and to provide target groups including low income families with an affordable option for health activity. Some such as Blackburn with Darwen and Birmingham have made all leisure free to residents over several years. Evidence would suggest that even when free the facilities are under-patronised by the 'hard to reach groups' and the beneficiaries tend to be those who would and could have paid. (APSE is aware of several early studies from the health sector to quantify this)

Overall the conclusion would suggest there is scope to raise prices to increase income from occasional swims, offer membership based reductions to frequent users and concessions to low income families.

APSE Comment

APSE supports the widest opportunity for participation in sports and leisure activity. We believe that the **health and wellbeing outcomes** for the population should be an **explicit objective** of an authority and this should be recognised within the allocation of budgets. As per the 90's publication 'The Price is right?', Councils should review leisure charges to "deliver local priorities, improve services and generate income"

It has to be recognised that a difficult balance exists between providing facilities at a cost that remains viable whilst ensuring the facility remains accessible to the widest number of people, however better to have a facility than no facility at all.

With pressure on leisure funding, the price and hence cost of access to leisure will ultimately have to reflect more accurately the underlying cost of that provision and local Councils need to revisit the method of charging for entry. The alternative, is reduced hours, facility closures and limits on maintenance, which can only reduce the attractiveness of a leisure facility.

Local authority leisure and leisure trusts, compete in a wider market against private sector operators and other leisure opportunities. In the case of swimming especially, segmenting the market between the occasional leisure swimmer and the more frequent could boost revenues without reducing participation.

In the case of local authority gyms, these are usually of a standard that bears comparison with the private sector and increasingly membership costs are broadly in-line with their private sector alternatives. Local authorities are driving the market price which others must follow to attract custom.

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