Pricing and Payroll in a Hybrid Fitness Environment

mindbody

How to price and pay for in-person and virtual offerings

Both pricing and payroll are foundational to the success of your fitness business. Determining each requires time and careful consideration—and like most things, there's no such thing as a one-size-fits-all recommendation. There are, however, key best practices to consider when evaluating (or reevaluating) both.

And, with so many recent changes in the industry, now's the perfect time to take a closer look at how you're pricing your services and paying your team. Consider:

- Are you now offering virtual classes?
- Are you planning to balance both in-person and virtual offerings, long-term?
- Is your in-person capacity limited?

Your pricing model will depend on these factors as well as client attendance habits and overhead—payroll included.

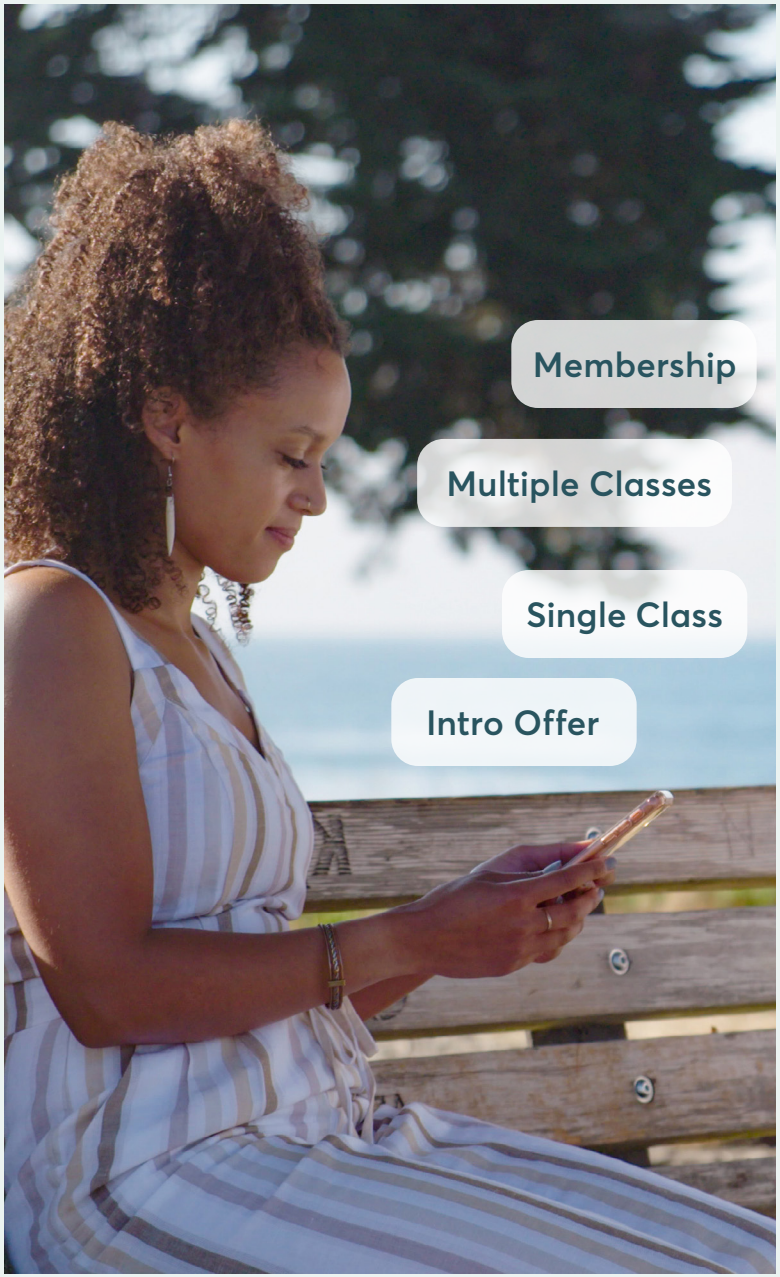
Pricing

More than ever before, pricing is key to the longevity of your business and should be optimised to achieve both high profit margin and retention.

In this ever-evolving environment, many businesses are navigating an entirely new set of services and pricing. So, whether you plan to offer in-person services, virtual, or a combination of the two, you may need to make some changes to your pricing.

Did you dive into virtual without a well-thought-out pricing strategy? Not to worry. We'll show you how to review your data and readjust.

First, let's start by reviewing your current pricing.



Simplicity is key

How many pricing options do you offer right now? This includes:

- Single sessions or drop-ins
- Intro offers
- Multi-class passes
- Autopay memberships

Although it's reassuring to know there are options to choose from, giving customers too many options can lead to fewer sales. When it comes to pricing, the simpler the better. **The ideal number of options typically falls between three and seven.** If you have more than that, it's best to simplify.

Look at past sales

Although the future of your business may require a complete pricing overhaul, review past sales data to help move forward intelligently (e.g., if drop-ins were previously your most popular option, how can you optimise pricing to encourage higher commitment autopay sales in the future?).

First, you need to review what pricing options are most and least popular (if you're a Mindbody customer, use the Sales by Service report). Calculate each as a percentage of total sales transactions, rather than revenue. Ideally, your highest commitment options (autopays and class packs) are at the top of the list. If not, it's a sign you can optimise your pricing. Higher commitment (aka better retention) is always the goal.

Pricing Option	Cost	Cost Per Session	% of Total Sales
Drop-in	£15.00	£15.00	36.8%
5 Classes	£72.50	£14.50	32.5%
10 Classes	£135.00	£13.50	9.6%
15 Classes	£195.00	£13.00	2.1%
Membership	£100.00	£12.50 (8 visits)	19.0%

When given the choice, customers will always choose the lowest commitment option. This high percentage of drop-in sales implies the drop-in price is too low.

With such a low percentage of total sales, this pricing option may need to be removed. An added benefit? Clients will get through classes quicker, meaning increased cash flow.

Autopay memberships should, ideally, be the highest percentage of total sales. This business may need to lower the price of their autopay. There isn't enough of a discount between the drop-in, package, and autopay per class prices.

You may also find that specific pricing options aren't selling as well as planned. If that's the case, it might be time to cut ties. Again, simple is best.

Analyse attendance

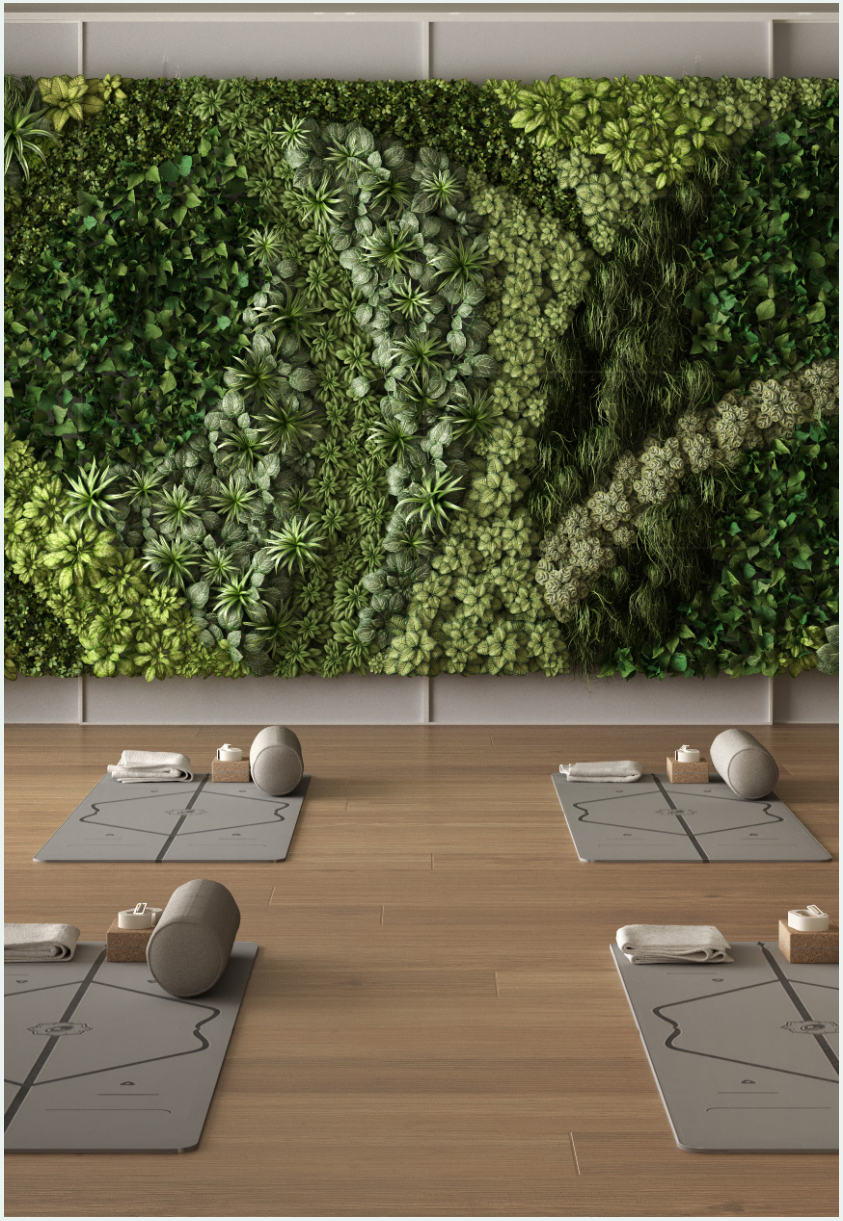
Does your pricing reflect the attendance habits of your clients? (Mindbody customers can review the Attendance Analysis report). First, separate each service category (i.e., in-person and live streaming). Then, divide the total number of classes attended by the total number of clients to find the average number of classes attended per client.

- How often do clients strictly attend in-person classes?
- How often do clients strictly attend live streamed classes?

Service Category	Total Number of Classes (Past 90 Days)	Total Number of Clients Attended	Average Number of Classes Attended Per Client
In-person Classes	995	122	8.2
Live Stream Classes	535	86	6.2

Use these averages to determine your autopays.

Your autopay(s) should be based around those averages—taking into account capacity too. More on that next.



Consider capacity

Due to COVID-19, many fitness businesses have had to reduce their in-person capacity to ensure the safety of both clients and staff. If this is the case for your business, increasing your pricing may be necessary to maximise revenue.

How?

Mindbody Certified Business Consultant Josh Biro offers a simple equation as a starting point. He recommends calculating **pounds per square metre per minute of time.** In other words, find out how much you'll make, given your adjusted capacity, per minute or hour of time. Compare that to your overhead to understand how your schedule and pricing should be adjusted to be profitable.

£ per sq metre / minute or hour of time

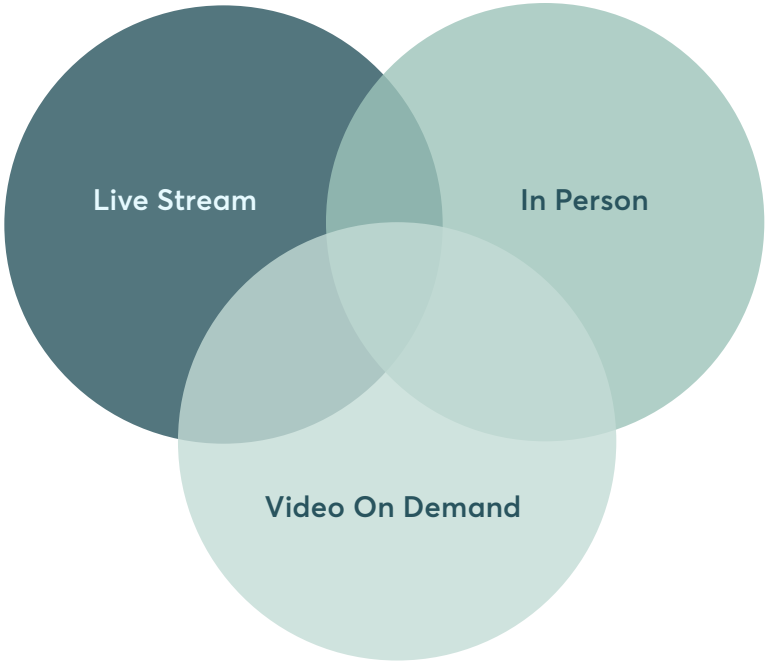
Outline your service mix

For some businesses, offering virtual offerings that serve a greater number of people makes more sense than smaller in-person sessions—at least until it's safe to increase capacity. And while adding virtual services may increase complexity, it helps future proof your business amid COVID-19, and beyond.

So, what will your hybrid business include?

- In person and video on demand?
- In person and live stream?
- In person, video on demand, and live stream?
- Video on demand and live stream only?

There are a variety of options to incorporate virtual services into your business, long-term (check out Bringing Video into Your Fitness Business: A Step-by-step Guide for more specifics). Similarly, there are various ways to price them.



Pricing your virtual and in-person offerings

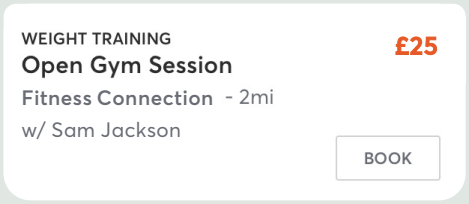
Now that you know where you've been and where you plan to go, you can determine the optimal pricing model for your hybrid business.

If you're planning on offering both in-person and virtual offerings (on-demand, live stream, or both), the challenge is to optimise your pricing without making the options overly complicated. The following models are becoming increasingly popular among fitness businesses:

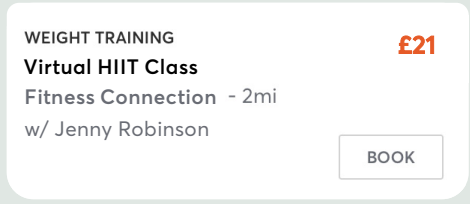
Offering live streaming as a membership perk

For many studios and gyms that have reopened, live streaming is being added as a benefit for members.

For non-members, live streamed classes can be sold as drop-ins or class packages. Some studios are pricing these offerings at 10-15% lower than in-person classes.



Example: In-person drop-in



Example: Virtual drop-in

Pro tip: Make live stream class packages smaller (avoid 20 and 30 packs) so clients get through them quicker. This ensures future cash flow, which is especially important right now.

Selling video on demand or live streaming as a separate add-on

Supplement your existing class packages and memberships with an affordable, virtual add-on that encourages participation both in-person and online.

24-HOUR ACCESS

£10

Single Use

MONTHLY UNLIMITED VIDEO ON DEMAND & LIVE STREAM ACCESS

£10/monthly

For Members

MONTHLY UNLIMITED VIDEO ON DEMAND & LIVE STREAM ACCESS

£30/monthly

For Non-Members

This option also allows you to expand your services past your local community. Market to past clients who've moved away or to an entirely new customer base—near or far. With a high-quality, virtual offering, the opportunities are endless.

Using a credit-based system

If limited in-person capacity is a concern, credit-based pricing may be a good solution. Classes have different credit rates, which are priced by the business based on several factors (e.g., popular vs. off-peak times, in-person vs. live stream capacity). Clients receive a set number of credits that can be used however they'd like—all in-person, all virtual, or a combination of the two.

£69

12 Credits Per Month

£99

20 Credits Per Month

£129

30 Credits Per Month

Live stream classes = 2 credits; in-person classes = 3 credits

In this example, in-person classes are a higher credit value. This helps encourage higher live stream attendance (that offer unlimited capacity) and reduces in-person attendance (that offer limited capacity).

Payroll

With service and pricing changes come payroll updates, too. As one of the largest expenses for most fitness businesses, payroll is an important consideration—and one that you should revisit regularly.

Like pricing, there's no such thing as one-size-fits-all pay. Instead, you'll need to balance how much your instructors feel they're worth and how much you can afford. And while conversations about compensation can be emotional, when you use data to drive your decisions, it's a much easier discussion.

Let's start by evaluating your current pay rates.

Audit your existing payroll

Are you paying your instructors too much? Too little? Use your data to find out.

FOR APPOINTMENTS

First, look at your overall payroll amount and total earned revenue. (If you're a Mindbody customer, pull the Payroll report to find your total payroll amount. Then pull the Attendance with Revenue report to find total earned revenue for the same time period). Divide the two and multiply by 100 to determine the percentage.

Total Payroll	Total Earned Revenue (Past 90 Days)	% of Total Earned Revenue
£15,983.50	£30,967.00	51.6%

For appointment payroll, the Mindbody University best practice is to aim for about 50-60% of earned revenue.

FOR CLASSES

Find your total payroll and total revenue earned. (Pull the Payroll report to find total payroll for classes. Then pull the Revenue by Class report to see total revenue earned for the same time period). Divide the two and multiply by 100 to determine the percentage.

Note: If you have multiple service categories (e.g., in-person and virtual classes) and pay differently for each, pull these numbers separately.

Service Category	Total Payroll (Past 90 Days)	Total Earned Revenue (Past 90 Days)	% of Total Earned Revenue
In-person Classes	£10,785	£26,690	40.4%
Virtual Classes	£4,365	£14,980	29.1%

For class payroll, the Mindbody University best practice is to aim for about 30-50% of earned revenue.

Reverse engineer your payrates

Not satisfied with your current payroll? Use data to reverse engineer your pay rates.

FOR APPOINTMENTS

Take your average revenue per appointment (again, use the Attendance with Revenue report) and calculate a payrate based on that.

For example:

- £75 average revenue per appointment
- 50% of £75 = £37.50 per appointment

FOR CLASSES

Determining a class pay rate is a bit more complex—especially when you're offering both in-person and virtual. Like pricing, there are a variety of factors at play.

What's your class capacity? The maximum you can afford to pay? The minimum you can pay to stay competitive?

If you have capacity limitations for in-studio classes, it's likely you won't make as much revenue per class unless pricing adjustments are made. In turn, this impacts how much you can afford to pay your team to stay profitable.

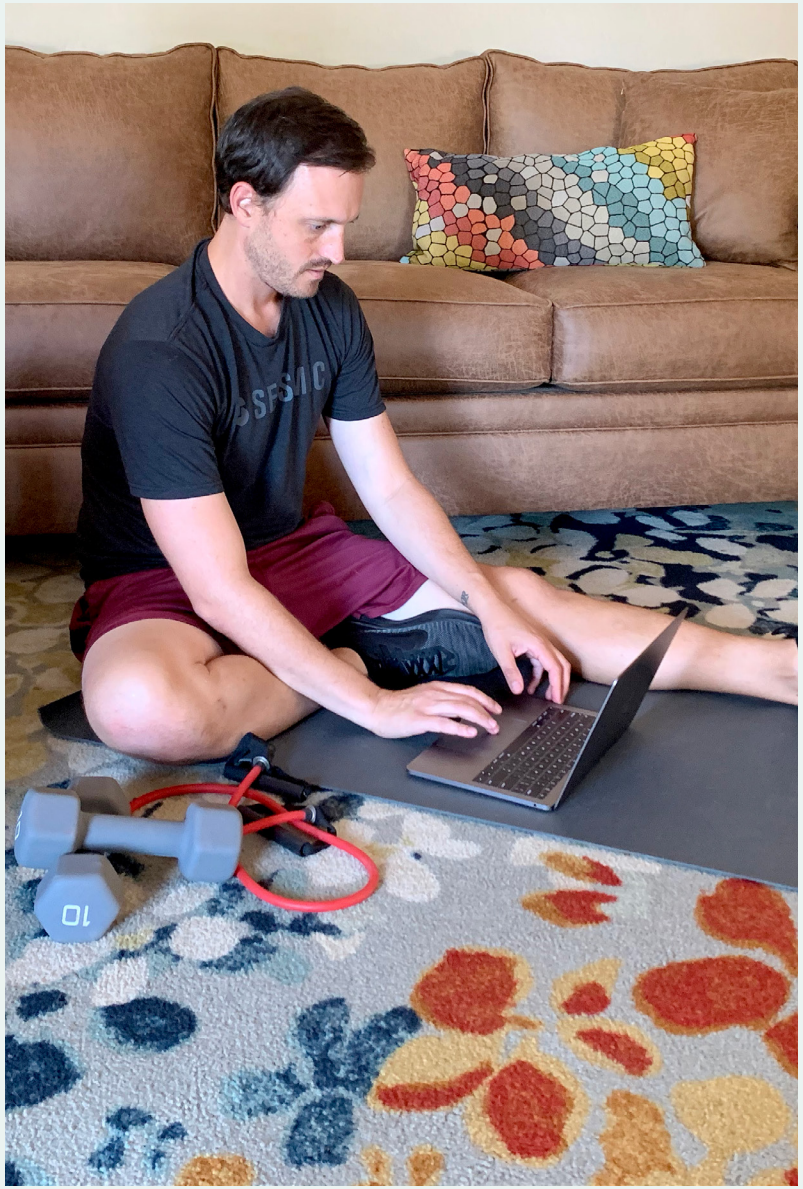
On the other hand, live streamed and on-demand classes don't have capacity limits, which means you may be able to afford a higher pay rate for instructors.

All of that in mind, **most successful businesses pay a flat rate per virtual class (whether it's live or recorded) and pay the same rate for in-person sessions.**

Communicate any changes to your team

Set aside time to meet one-on-one with each member of your team to present your new pay rates and explain why you're making changes. With difficult staff members, it's best to deal with them on a case-by-case basis. Again, use the data you have (look to your reports for individual instructors) to determine if the individual numbers are there. It's up to you as the leader of the business to negotiate or not.

Another option? You can always make small changes with current staff and bigger changes with new staff. Over time, turnover will take care of the rest.



Conclusion

Evolving your pricing and payroll strategy is never easy. The positive impact it will have on your bottom line, however, is well worth it. Throughout the evaluation process, lean on the data you have in your software to make well-informed decisions and always, always think big picture. Remember: you're laying the foundation for success in your hybrid business—both today and for years to come.

To learn first-hand how Mindbody can support your business, schedule a guided tour today.