

GYMetrix has developed a new metric that, for the first time, gives operators a true understanding of how much it costs to service customers equipment needs.

The true cost of service – cost per hour used

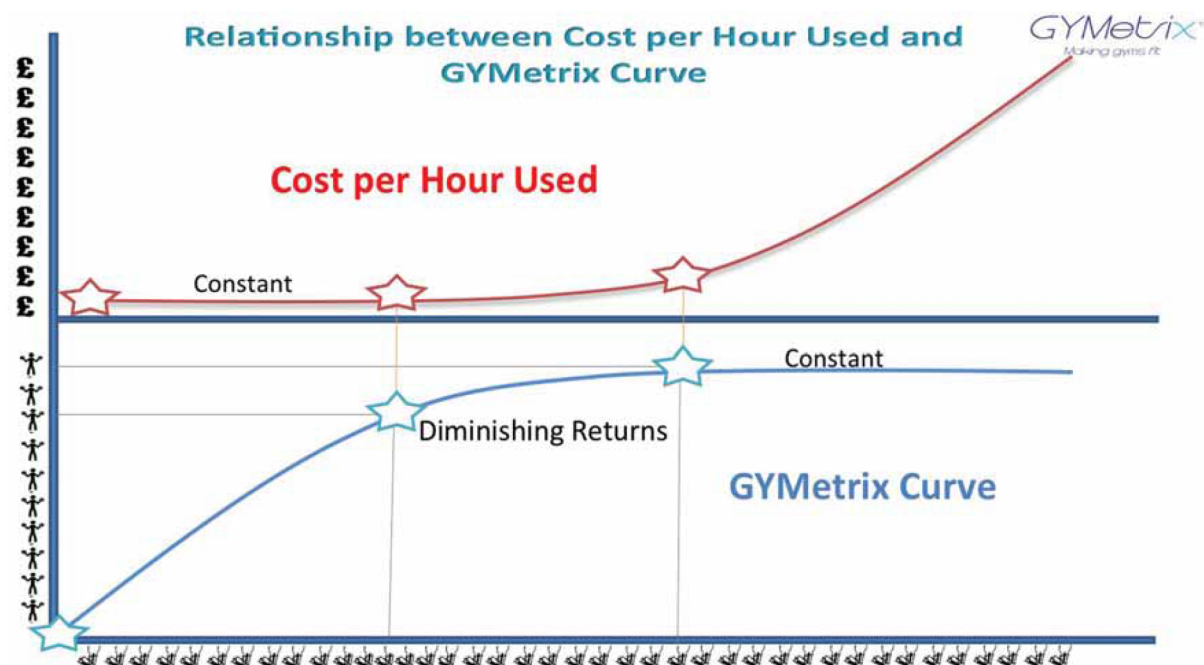


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What is this new metric?

It's called the **Cost per Hour Used** for gym equipment, and while it may not sound very exciting, the insight this metric provides will certainly make operators sit up and think. For the first time, we are able to give owners and operators a true picture of how efficiently they are buying equipment for their customers.

It goes beyond simply looking at how much equipment costs but makes this relative to how much has been supplied and how much customers are using it. It enables us to quantify the cost of operators buying more equipment than they need, and shows how this reduces their profitability.



see there is a direct relationship.

In the beginning as the gym adds more of an equipment type, the cost per hour remains constant. This is because if there is twice as much equipment, there will also be twice as much demand so the average cost per hour will stay the same.

been met, the cost per hours used rises very sharply as customer demand does not increase – many operators without data on the level of customer demand are at this point on the graph, buying too much equipment and pushing up their average cost per hour used.

have a tendency to oversupply the expensive cardio kit and undersupply the cheaper equipment. Until now there has not been any mechanism to counter this. When more equipment is bought than is needed to meet customer demand, the cost per hour rises sharply and the operator's profitability falls sharply, but the equipment suppliers' profits rise.

e.g. Crosstrainers

$$\frac{\text{£6,250 List Price}}{5 \text{ years}} \div 52 \text{ weeks} = \text{£24.04 Weekly Depreciation Cost} \times 10 \text{ Crosstrainers} = \text{£240.40} \div 208 \text{ Customer Demand Hours} = \text{£1.16 Cost/ Hour Used}$$

How is it calculated?

The average cost per hour used for each piece of equipment is calculated using the following key data: The list price of the equipment, a five year depreciation period, the number of items the operator has been supplied and customer demand for that kit. Using our research, we can see how each piece of equipment on the gym floor is used, and combining it with the cost of the equipment, we can calculate what it costs operators per hour.

What does this mean for operators?

The better a business controls its costs the more profitable it is and the higher cost per hour used for equipment, the lower the profitability for operators. Now operators can understand the true cost of providing excess equipment to their customers, and it enables them to benchmark how efficiently they are buying or leasing equipment.

Is there a relationship between cost per hour used and the GYMetrix curve?

If we look at the two graphs we can

However, once the GYMetrix curve hits the point of diminishing returns the cost per hour starts to rise, because now if twice as much kit is added customer demand will not double, it increases but at a decreasing rate. Then after the third point when all of the customer demand has

Which pieces of equipment have the highest Average Cost per Hour Used?

The cost per hour used is affected by not only the list price of the equipment but how much has been supplied and customer demand for it.

For example, a Crosstrainer generally costs 10 times as much as a bench, but because on average across all of our studies, they are oversupplied they have a cost per hour used 23 times as much as a bench!

It seems that equipment suppliers

What should operators do to reduce their Average Cost per Hour Used?

The goal is not to drive the cost per hour used as low as possible as this would undoubtedly mean poor service for customers. The trick is treading the fine line between not buying too much kit and buying enough to provide a good service to customers. To do this operators need to know the customers demand levels for the equipment.

Cost per Hour Used

