

The effect of Christchurch City Council prices on other
recreation and sports providers within Christchurch.

Rachel Cosgrove
December 2003 – January 2004

Table of contents

Table of contents.....	2
Introduction.....	3
Sample size	3
Methodology.....	3
Limitations	4
Results.....	5
Part 1. Directly comparable services	5
Part 2. Christchurch City Council prices as a direct input into other providers prices.....	7
Part 3. Other providers generally involved in provision of recreation.....	8

Acknowledgement

SPARC wishes to thank Alan Bywater and Christchurch City Council for making this report available to local authorities throughout New Zealand.

SPARC is interested in facilitating the sharing of sport, recreation and leisure information between local authorities. If your council has recently completed a literature review, a guidance document or some research which you would be willing to share please email jason.morgan@sparc.org.nz

Introduction

The purpose of this project is to research the effect of Christchurch City Council leisure facility prices on other recreation and sport providers within the city.

This was broken down into three main sections:

1. Those providers that offer directly comparable services to those of the Christchurch City Councils, e.g. Gymnasiums, or Learn to Swim schools.
2. Those providers whereby Christchurch City Council prices are a direct input into their pricing schemes e.g. Sports Bodies that hire out council facilities and then pass on the cost to their members as part of their overall price.
3. Other providers generally involved in the provision of recreation and sport activities within Christchurch, whereby council prices may indirectly effect their pricing, by providing a benchmark for recreation.

All providers were guaranteed confidentiality as each response was allocated a number, and hence not directly retraceable to the organisation.

Sample size

The anticipated sample size was 139 recreation providers. Of the 139 providers called, 77 replied resulting in a response rate of 55%. Explanations for this poor response rate include difficulty in contacting planned respondents most likely due to the time of year, and time constraints.

Dividing this into the 3 groups above, we get the following response rates:

- Directly comparable providers: 19/41 (46%). These were mainly Learn to Swim Schools and commercial gyms. Squash and Yoga providers were particularly hard to get hold of.
- Direct inputs: 7/12 (58%). NB 2 of these did appear to be wrong numbers.
- Other general providers: 51/86.

Methodology

Providers of directly comparable services were selected through a combination of the white and yellow pages, and the internet.

Those providers whom council prices act as a direct input were noted through knowledge within the Council.

Other recreation and sports providers in Christchurch were selected randomly through "Mizone's Christchurch Sport & Recreation Guide September '03 – March '04". In each sporting code a number was allocated to each club/organisation, and then a random number generator was used to select which clubs/organisations were to be surveyed. Approximately 10-25% of all clubs were selected from a sporting code within the Guide.

All providers were surveyed over the phone, and answers were generally answered by the receptionists, or club secretaries/treasurers/presidents, and where necessary I was passes onto those in charge of pricing decisions (mainly for commercial groups).

A similar questionnaire was used for each of the three groups, though slightly adapted depending on which group was being questioned. All surveys took 3-5 minutes long.

Limitations

A low response rate occurred. Therefore results cannot be generalised as representing the whole population.

Providers were **not** necessarily randomly selected.

Situations where council prices may be a direct input into other providers prices produce the possibility of some providers having vested interests in the results, due to them wanting Council charges to them to decrease, allowing them to decrease their own costs.

By conducting phone surveys, this restricts participants to only those with access to telephones. This also resulted in a number of inaccurate contact numbers.

Responses made are the general opinions of the person talked to, of how the respective sports provider would respond to changes in Christchurch City Council pricing. The surveys ask how respondents would react to theoretical increases or decreases in the Councils pricing at different facilities, and hence are not based on fact.

Results

Part 1. Directly comparable services

A response rate of 19/41 (46%) has resulted. 10/12 commercial gyms responded and 5/6 Learn to swim schools responded. It proved difficult to contact squash clubs, and yoga providers with 3/11 and 1/8 respective responses.

Learn to swim schools

- The most common factor in determining the prices they set, was comparison of competitors, with 3/5 responses.
- Two viewed their pricing as about the same as the council's, and three thought they were more expensive.
- Three thought that the prices of Christchurch City Council's Learn to swim programmes didn't affect how they priced their activities, and two thought the Council's pricing did affect them.
- The two that thought the council's pricing effected them, thought so to a fairly major degree (ranked 4 and 5 out of 5), and thought they would respond by increasing their price if the council did, but wouldn't change their price if the council decreased their prices.
- One thought that the prices the council charge for Learn to swim activities majorly affected the demand at their swim school, working negatively for them
- The same respondent also thought that CCC prices for unrelated activities (eg gyms or squash courts) affected the price they charged to a major degree (5/5 on the scale). If CCC increased, they would increase, if CCC decreased, wouldn't change.
- The same respondent also thought that a change in the CCC prices would majorly affect their own demand, noticeable a decrease in council prices would decrease the demand for the services supplied by this provider.
- Two commented that the council pricing of Learn to swim is far too low and that they are undercutting private enterprises by pricing below the market.

Commercial gyms

Of the ten commercial gyms surveyed:

- 6 base pricing decisions on costs and expenses while 1 uses condition of equipment and gym and only one would use market comparison
- 4 viewed their pricing as more expensive than the councils, 4 weren't sure, 1 thought they were about the same, and 1 thought they were cheaper than the council
- All the gyms perceive that their prices are not affected by the prices of CCC fitness centres
- There is a 50:50 split between the gyms as to whether or not CCC prices for their fitness centres effect the demand for their services

- Of those that believe CCC prices effect their demand, all are to a relatively minor degree (1's and 2's on a scale of 5)
- If the CCC increased their fitness centre prices by 10-15%, all five believe there would be no effect on their demand
- If the CCC decreased their fitness centre prices by 10-15%, 1 thought there'd be a major decrease in their own demand, and all other four thought there would be a very small effect (1 and 2's)
- Only 1 gym thought that CCC prices for other activities (eg swimming/squash) affected the price they charged. However, it was only a minor concern, and if these CCC prices changed, this gym wouldn't change their prices
- All gyms don't see the CCC prices of other activities as affecting their demand.
- 2 gyms believed that the CCC gym prices are below the market rate and make it hard for commercial operators to charge market rates.
- One thought that if the CCC increased the quality of their centres while maintaining the current cost structures, this would negatively effect the demand for their own gym.

Squash courts

Of the three squash clubs that responded:

- There were no common factors for making their pricing decisions
- 2 believed they priced about the same as CCC, 1 wasn't sure.
- 2 thought CCC prices for squash effected their prices, but both wouldn't change their price if CCC did.
- All believe that CCC charged for squash didn't affect their own demand
- All believe that CCC charges for unrelated activities don't affect their price
- 1 thought CCC prices for unrelated activities affected their own demand, to a minor degree, and if CCC increased their prices, would see an increase in their own demand, and if CCC decreased their prices, would see a decrease in their own demand.

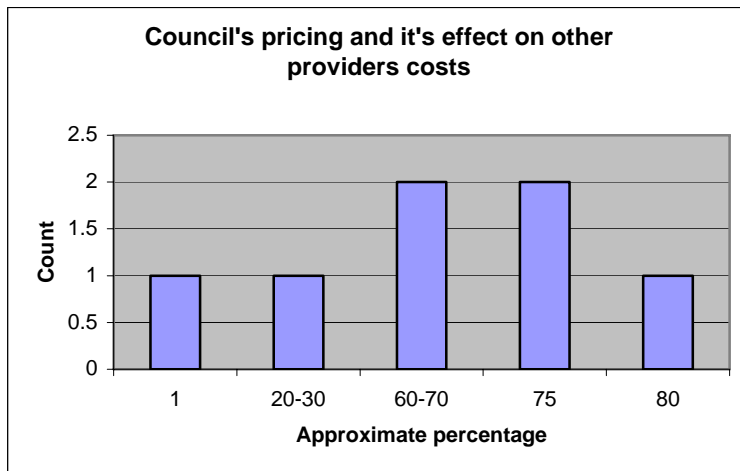
Yoga

- The yoga company that responded didn't see the CCC prices of both similar and unrelated activities as affecting their prices or demand
- However, they do see CCC prices as cheaper than theirs', therefore more attractive to those users on lower incomes, but felt they offered different quality of services.

Part 2. Christchurch City Council prices as a direct input into other providers prices

7 of 10 organisations were surveyed, that hire CCC stadiums for their sport.

- 6 (86%) believe CCC prices directly affect the price they charge, of which, 3 said it had a major influence, 2 rated it as 4, and 1 as a 3.
- Of the three that see it as a major influence, 2 believe CCC prices make up 75% of their costs, and one believes 60-70% of their costs. (see graph)
- 5 of the 6 that see CCC prices as affecting them, believe that a change in the CCC prices would result in them all passing the entire increase onto their members. 1 would absorb ½ of it.
- All 7 respondents don't see CCC charges for unrelated activities as affecting their prices
- 1 believed that if CCC prices were cheaper, this would result in more people playing their sport.



Part 3. Other providers generally involved in provision of recreation

Again, a low response rate was attained of only 51/84 (60.7%) potential respondents. Of particular absence were archery clubs, baseball clubs, fencing clubs, Martial arts, rowing clubs and rugby clubs, with golf, tennis and touch being underrepresented given the number of clubs operating within Christchurch.

37 of a possible 71 voluntary clubs responded, and 13 of a possible 13 commercial clubs did. One group claimed they are a combination of voluntarily and commercially run organisation.

Voluntary clubs

Of the 37 voluntary sports and recreation clubs that replied:

- The most common factors taken into account when determining prices were: Covering costs (26 responses), paying Canterbury level or National level fees (6 responses), and comparisons of similar activities and the amount of fundraising achieved both received 5 responses each. Note: 14 respondents gave 2 answers when asked which factors they consider in determining their prices.
- 10 (27%) responded that a change in their prices would have no effect on the demand for their services
- 10 also sat in the middle of the scale on 3, and 1 wasn't sure.
- Only 4 thought a change in their prices would majorly affect their demand.
- 30 (81%) don't think that CCC charges effect their price.
- 33 (89%) don't think that CCC prices effect their demand.

Commercial clubs

From the 13 Commercial groups that replied:

- Most respondents gave 2 answers when asked which factors they consider in determining their prices, and the 2 most common answers were covering running costs and expenses, and comparison of other similar providers, with 9 responses each.
- There was a range of responses as to whether or not a change in their prices would affect their demand
- 9 (69%) thought the CCC prices do not affect the price they charge
- 9 (69%) thought the CCC prices do not affect the demand for their activities

Overall

From the 51 respondents overall:

- The most common factors when determining the prices set by other recreational providers in Christchurch were covering running costs/expenses (36 responses) and comparison of other similar providers prices (14 responses).
- 13 (25%) thought a change in their prices wouldn't affect their own demand

- Only 5 (10%) thought a change in their price would have a major affect on their demand
- The remaining 32 responses are evenly distributed among the middle three options in the scale
- 40 (78%) responded that CCC prices do not affect the price they charge.
- 42 (82%) thought that the CCC prices do not affect their demand