



ORDINARY MEETING OF COUNCIL

Open Agenda Updated Attachment – Ocean Spa Strategy

Meeting Date: Thursday 12 December 2024

Time: 9.30am

Venue: Large Exhibition Hall
War Memorial Centre
Marine Parade
Napier

Livestreamed via Council's Facebook page

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Due to printing error the attachment for this Item has been re-attached to include all information in the attachment.

AGENDA ITEMS

19. UPDATED ATTACHMENT - OCEAN SPA PRICING STRATEGY

Type of Report:	Operational
Legal Reference:	N/A
Document ID:	1818662
Reporting Officer/s & Unit:	Hayden Henderson, Conferences & Events Manager

19.1 Purpose of Report

To provide recommendations on pricing additions and changes for Ocean Spa.

Officer’s Recommendation

That Council:

- a. **Approve** the implementation of Stage 1 for ‘Lane Swim Only Rates’ and ‘Gym Only Rates’ effective 13 December 2024.
- b. **Approve** the implementation of Stage 1 for ‘Locals Rate’, effective 13 December 2024,
- c. **Note** that online bookings for the “Locals Rate”, as Stage 2 will not be effective until 28 February 2025.

19.2 Background Summary

Napier City Council acquired Ocean Spa in early 2022 and opened it in May 2023. With limited transparency of expenditure, asset investment and business operations from previous owners it was recognised that pricing across the board did not rise with expenditure over a 10-year period; nor was the asset invested in accordingly.

‘Reviewing the business in the 2024/25 annual fees and charges it was decided the business needed to adopt a cost recovery approach which would be implemented from 1 July 2024, seeing increases of up to 60% for pool single entry and up to 35% for gym membership. These increases also coincided with the Facilities Business Review where Ocean Spa was identified as a commercial facility, along with Kennedy Park Resort and Napier Conferences and Events and the commercial modelling work to enable breakeven for each business activity.

At the Council meeting on 27 May 2024 the following resolution was carried:

“That Council:

Recognise the majority of Ocean Spa customers are local.

Review the fees and charges for the 2024/25 year, to investigate rates for supergold card holders, residents discounts, off peak time access and compartmentalised facility access i.e. gym/pool only, combined.

Direct officers to review the Ocean Spa pricing structure, product design and number of staffing resources, to work towards councils' direction of a commercially viable business in year 3".

In relation to Ocean Spa the 2024-2027 Three-year Plan states:

- From 1 July 2024, this activity will move to commercial operations. It will take some time for full implementation, but we have planned for the activity to be financially self-sufficient by the end of this Three-Year Plan. We will increase Ocean Spa's commercial focus by continuously raising standards. We will focus on effectively managing services, pricing and the user experience.
- Ocean Spa's commercial focus by continuously raising standards. We will focus on effectively managing services, pricing and the user experience.

19.3 Issues

From July 1, 2024, prices increased. Resulting feedback from some customers and members that prices were too high for single pool and gym membership.

Price point increase effect:

1 July – 31 August 2023 vs 2024 saw a reduction of approximately 5,000 single entries into the pool.

19.4 Significance and Engagement

Pre-engagement with current membership via email on changes that will become available prior to going to the public. Its critical we get buy in from members as this is the largest base of customer at Ocean Spa.

19.5 Implications

Financial

Existing members changing from premium gym to 'gym only' and premium gym to 'swim only, this would result in reduction of revenue.

Or

Gym membership cancellations due to members signing on to secure 'lower' prices before increase (1 July 2024) many of these 'expire' in December or mid-2025.

Social & Policy

N/A

Risk

Social media opposition to recommendations.

19.6 Options

The options available to Council are as follows:

- a. Approve all recommendations
- b. Approve 'Locals only rate'
- c. Approve 'Gym Only rates'

- d. Approve 'Lane Swim Only rates'
- e. Status quo, make no changes

19.7 Development of Preferred Option

Preferred option is to proceed with approval of all recommendations. This will require a staged release due to work required in the back-end of websites:

Stage 1: In house roll out, December 2024

'Gym only rate' – Green card

'Lane Swim only rate' – Navy card

Requires point of sale button addition and membership modification and new swipe/access cards

Stage 2: New year roll out, February 2025

'Locals rate' – Customized card

Requires website changes, customized registration links to point of sale account setup and a soft roll-out for testing.

Will roll out earlier if work is completed earlier.

19.8 Attachments

- 1 2024-11-11 Ocean Spa Pricing Strategy (Doc Id 1815395) [↓](#)

Ocean Spa

Pricing Strategy update

11 November 2024

Hayden Henderson, Acting Ocean Spa Manager

Steve Gregory, Manager Business & Tourism



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Context

- At the Council meeting on 27 May 2024 the following resolution was carried:
 - That Council:
 - i. **Recognise** the majority of Ocean Spa customers are local.
 - ii. **Review** the fees and charges for the 2024/25 year, to investigate rates for supergold card holders, residents discounts, off peak time access and compartmentalised facility access i.e. gym/pool only, combined.
 - iii. **Direct** officers to review the Ocean Spa pricing structure, product design and number of staffing resources, to work towards councils' direction of a commercially viable business in year 3.
- In relation to Ocean Spa the 2024-2027 Three-year Plan states:
 - From 1 July 2024, this activity will move to commercial operations. It will take some time for full implementation, but we have planned for the activity to be financially self-sufficient by the end of this Three-Year Plan. We will increase Ocean Spa's commercial focus by continuously raising standards. We will focus on effectively managing services, pricing and the user experience

Purpose

This pack sets out

- a one-page summary of the workstreams and actions around Ocea Spa commercialization.
- recommendations specifically in relation to pricing.

“Welcome to Ocean Spa, Napier's premier heated pool and fitness complex!”

- The vision is for Ocean Spa to be an iconic attraction, promoting a lifestyle of wellness and relaxation for all.
- The team are focused on four areas to achieve this:
 - **continuously improving facilities** and adding new wellness services
 - **better targeting customers** and introducing package offerings to enhance value
 - **partnering with local businesses** that share our audience and our values, we aim to create a comprehensive and appealing experience for visitors.
 - **fostering a welcoming environment** that encourages regular visitors and positive engagement.



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Ocean Spa update

Overview

- Bought back into Council portfolio (May 2023) and initial focus was on stabilising operations.
- Focus is now on unpacking performance drivers and considering options to remove/reduce ratepayer impact.
- Increasing energy cost is a key issue: Energy costs are estimated to be a 59% increase from FY 2023/24 (Gas & Electricity combined)

YTD performance to 30 Sept (Q1)

- Revenue: 0.6% decrease against 2023/24 (\$4,827)
- Expenses: 27% increase against 2023/24 (+\$272,361)
- Expense as % of revenue = 189% (e.g. it costs \$1.89 for every \$1 of revenue)

WORKSTREAM	Next	Doing	Done
Drive revenue growth	<ul style="list-style-type: none"> • Implement pricing changes • Constant focus on enhanced membership experience 	<ul style="list-style-type: none"> • Improve current customer engagement, particularly with membership • Pricing strategy – paper to council 12 Dec 2024 • Brand awareness 	<ul style="list-style-type: none"> • Define market segments • Social Media Strategy completed
Address energy solution <i>Boiler is end of life and gas costs require alternative heating solutions to be considered</i>	<ul style="list-style-type: none"> • Business Case 	<ul style="list-style-type: none"> • Recommended energy solution i.e heat transfer / pump solution 	<ul style="list-style-type: none"> • Feasibility study on energy solutions (Beca Aquatic Engineers) • Pool covers designed and installed to save on energy costs. • Chlorine auto-dosing system installed. Improved water quality and eliminating human error
Facility improvements to ensure a quality operation	<ul style="list-style-type: none"> • Replace weight machines • Café - consider catering contract options across all NCC cafe operations • Improved customer experience i.e reflexology walk in Ocean Spa stream and cold plunge pools installation 	<ul style="list-style-type: none"> • Café - new seasonal menu • Café - applying an improved cost recovery model 	<ul style="list-style-type: none"> • Replaced running machines • New furniture to improve customer experience

Target Markets

The NCC Marketing Team has helped define four market segments and build deeper knowledge of customers experiences with Ocean Spa and their needs.

This work will be used on-going to help inform how we work towards our vision. It has also helped underpin thinking around the pricing strategy.

<p style="text-align: center;">WELLNESS WARRIORS</p> <p>Health and fitness enthusiasts who seek comprehensive wellness solutions to maintain their health and fitness goals.</p>	<p style="text-align: center;">RETIREES</p> <p>Older adults who look for relaxing environments to unwind, utilise their time and manage mobility and health issues.</p>
<p style="text-align: center;">OUT OF TOWNERS</p> <p>Holiday-goers who need engaging and rejuvenating activities while on holiday.</p>	<p style="text-align: center;">FAMILIES</p> <p>Families looking for a safe and enjoyable place where they can be entertained while they relax.</p>



Pricing review process

The review has been done by:

- Reviewing current sales data
- Working with staff to understand current user types
- Considering pricing models at other NZ comparable facilities, specifically Te Puna in Christchurch and the Mount Hot Pools in Mount Maunganui
- Looking at other NZ council local discount models
- Looking at other HB local discounts in place.

Recommendations

- Introduce a local rate for the pools with a discount of between 17% and 25% discount across the entry groups (see revised pricing table for details)
- Add Lane Swim Only and Gym Only rates
- Reintroduce a Disability Rate and 3 & 7-day passes
- Change the off-peak hours to 9am to 3pm (currently 10am to 3pm)
- Remove the 30x concession pass (none have been sold)

The following slides set out a recommended revised pricing table and considerations around the above recommendations.



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Recommended Pricing

		Adult 15+	Adult off-peak [9am - 3pm]	Senior +65 CSC	Child 3-14	Under 3	Family (2A + 2C)	Disability Rate*
All pools	Hawkes Bay Resident 10x pass	\$150		\$117	\$96	n/a	n/a	\$117
	Hawkes Bay Resident Casual	\$16		\$12	\$10	\$3	\$47	\$12
	Casual	\$20		\$14	\$12	\$4	\$58	\$14
<i>Discount resident vs casual</i>		25.0%		16.7%	20.0%	33%	23%	17%
<i>Discount 10 pass resident vs casual 10 passes</i>		33.3%		20.0%	25.0%			
<i>Discount 10 pass resident vs 10 resident casuals</i>		6.7%		2.9%	4.2%			
Gym and Pools	3 day non-residents pass	\$60						
	7 day non-residents pass	\$95						
	6 Mth Weekly	\$32		\$26				
	12 Mth Weekly	\$29		\$23				
	Upfront 3 Months	\$420	\$380	\$363				
	Upfront 6 Months	\$810	\$690	\$672				
	Upfront 12 Months	\$1,400	\$1,200	\$1,120				
Swim	weekly - 6 month contract	\$27	Upfront payment	\$594				
	weekly - 12 month contract	\$24	Upfront payment	\$1,050				
Gym	weekly - 6 month contract	\$27	Upfront payment	\$594				
	weekly - 12 month contract	\$24	Upfront payment	\$1,050				

* Applies to people entering with the support of a carer

Local rate

- Buyer to register online (similar to Splash Planet)
- Up to 4 people per household.
- Information collected would be name, photo ID and proof of residence.
- The card would cost \$25 and last for 2 years until they needed to renew.
- Available to
 - all Hawkes Bay rate payers; and
 - all permanent Hawkes Bay residents



Lane Swim only / Gym only

- These both risk eroding current full membership revenue as member switch for cheaper options.
 - Membership up-take and existing member response will be monitored.
- Due to the location of the reception, investment of ~\$50k would be needed to avoid risk of people paying for gym only and using the pool facilities.
 - Recommendation is to implement the rates without this investment and monitor response before undertaking any investment .

Disability rate

- For users who enter with a carer
- This was originally in place at \$16 plus \$3 (spectator fee) for a carer
- Recommendation is to make the entry \$12 for the user with no charge for the carer.

3 & 7 day pass

- Casual one day access was removed due to undesirable behavior of locals.
- The drive to re-introduce these is to target conference delegates and other travellers
- These would be presented on the pricing table as a “non-residents” pass as a deterrent to the undesirable behaviours

Implementation

- Recommendation to Council 12 December 2024
- The lead time for implementation is being investigated. The key driver is the technology and operationally processes required of the local rate. We are targeting having an answer by 12 December 2024.