



STUDY OF BUSINESS CASES

LLOP

Gestió de l'esport

ACCIÓ



Generalitat de Catalunya
Government of Catalonia

LLOP • Gestió de l'esport

On 08 July 2014, Albert Vinyes open his e-mail inbox and saw the message from the Arnedo Town Council containing the bad news.

In addition to informing that they had decided to award the management of the Sports Complex to the company Servicios Integrales SL, Mr. Juncosas, the manager of an office that informed them about open tenders, was quite harsh in his comment:

“It seems incredible that you do not understand that this is not going to get any better. Read the newspapers: the budgetary pressures the councils are under, the cuts, etc. It is really momentous that under these circumstances that there are open tenders, but it is disappointing that for each one we bid for you propose holistic health projects which neither form part of the area of fitness nor have anything to do with the seasonal equipment or the management of the facilities at a minimum cost as demanded by the councils. Yet another wasted silver bullet. You ought to consider how to approach these opportunities, which are few and far between. There is no room for naïve dreams about what is the best for the citizen when the reality is that the real battle is maintaining the centre that is out to open tender.”

Albert Vinyes, August Tarragó and Jordi Jorba, managing partners of **LLOP • Gestió de l'esport**, reflected on these words. Until



2011, growth had been spectacular, with annual increases in revenues of around 80%. However, in 2012 and 2013 this had stagnated and at the close of 2014, it was expected that there would be an increase of 10%. These data were a reflection of the market: the public administrations had scarcely put anything out to tender and competition was increasingly intense. Relying on public tenders was to do so



by using a non-scalable, restricted and unsophisticated model, but it was expressly that which gave llop-gestió de l'esport a reason for its existence. However, llop-gestió de l'esport had evolved in its capabilities to deliver a service that was increasingly more sophisticated and had found a path that seemed natural and healthy for the company but which now faced the reality of cuts and budgetary pressure.

What is the response to this situation? Can they compete in this setting with their business model or must they address a change they feel is inevitable?

HISTORY

LLOP · Gestió de l'esport was officially incorporated as a company in 2001, but its founders, Albert Vinyes and August Tarragó, had already begun their careers two years previously working for themselves.

Albert and August, sports instructors at the Molins del Rei Council, detected an unsatisfied demand for Sports Facility Management Services for the public administrations at competitive prices and with high levels of quality. At this time, in 1999, there were only two companies dedicated to this activity and these were unable to absorb the outsourcing process of these services initiated by the councils (which had a high number of employees for the management of the municipal sports services). The service offered by **LLOP · Gestió de l'esport** allowed the councils to outsource a large part of the personnel and do so through subcontractors which, when providing the service for several facilities in (more often than not) several municipalities, generated improvements in

costs by focusing services at a central point (administration and accounting) and to some degree, in the actual provision of the service by being able to deploy teams (within the possibilities of the regulations and specifications of the tenders).

The first critical decision they needed to take to establish themselves in the market was to define who their target customer would be. In their first company profil **LLOP · Gestió de l'esport** provided sports activities to councils, schools, companies, etc., covering a wide range of customers and its added value was based more on leisure than on sports management (e.g. summer camps and extracurricular activities). After a year of activity, the need to focus on a particular kind of customer became evident, Albert and August, with their background in municipal administration and with no means of their own for investment knew exactly what to do: their range of sports services would be aimed at public administrations, the owners of medium-sized municipal sports facilities, where the private initiative had critical mass to provide this service in a profitable manner.

The competition, the already established and capable rival companies, focused their efforts on the contracts for large services, therefore, **LLOP · Gestió de l'esport** began covering the smaller ones, mostly the management of the summer swimming pools, summer camps and sports activities not connected to the sporting facilities.

The origin of the concept therefore was this possibility to provide attractive services (the subcontracting of the management) to the owner of the assets (the councils). Initially, however, prudence advised focusing on other more modest services.



«We start from scratch, no customers, no money. At the beginning all we had were the smaller contracts, the ones that the large companies had not submitted bids for. When the public administrations put out for tender, they asked for proven experience, and this was an obstacle for us at the beginning.»

Over the course of four years, Albert and August tirelessly visited councils offering their services and the fruit of this effort began to materialise in occasional jobs which allowed them to gain experience and increase their renown and reputation as a committed company with a vocation for providing quality service.

«From this period (2001-2004), we still maintain the attitude of a small business. Until 2004, nobody made a living from **LLOP · Gestió de l'esport**, we continued with our professional activities and studies.»

In 2005, the award of the contracts for the directed activities and services for the Municipal Sports Centre of Sant Boi de Llobregat and the municipal sports activities for Lliçà d'Amunt were the turning point in the history **LLOP · Gestió de l'esport**. These contracts meant a turnover of 300,00 euros and the acquisition of the experience that allowed them to successfully bid in successive tenders. It was from that moment on that **LLOP · Gestió de l'esport** required the full-time commitment of its founders.

From 2005 to 2011, **LLOP · Gestió de l'esport** grew by double figures on an annual basis (CAGR=71.3%) thanks to the numerous service contracts and administrative

concessions it was awarded and, to a lesser extent, to the contribution to revenue from the consultancy and advisory services carried out over the period (sports facilities management projects, sports equipment viability studies, sports equipment planning and maps of municipal sports facilities). In 2010, Jordi Jorba, one of the first employees hired by the company became a partner (See ANNEX 1 and ANNEX 2).

2012-2015: STAGNATION, DIVERSIFICATION AND THE CREATION OF SINTAGMIA

After a period of intense expansion, Albert, August and Jordi were faced with the stagnation of the company revenues for the first time since the creation of **LLOP · Gestió de l'esport**.

«We realised that all the growth we had was organic, it consisted of scraping together a market share and we were restricted by the investment capability and low growth of competition in the sector.»

In the light of this situation, they committed themselves to growth though adding, from the original model, acquisitions of companies with a compatible business purpose and in some cases, the internal development of innovative concepts in an effort to diversify though four companies: MN, E3, Vivències and Gonnafit.

MN

Company specialising in the maintenance and cleaning of buildings and facilities arising from the acquired experience in the



management, maintenance and cleaning of municipal sports facilities. Its offer is not only aimed at public administrations, but also covers private companies, non-profit making organisations and even individuals.

E3

Company dedicated to the physical activity and leisure for the elderly, acquired by **LLOP · Gestió de l'esport** in 2012. It was originally a non-profit making association run by four students from the INEFC (National Catalan Institute for Physical Education) created in 1982, one of the first cases of outsourcing of this type carried out by the councils in Catalonia and in Spain.

E3 was a consolidated company and had a long background in the management of activities and day centres for the elderly from a wide ranging perspective: memory workshops, IT, physical activities, excursions, etc.

The acquisition of E3 meant the incorporation of personnel highly qualified in caring for this segment and the entry of **LLOP · Gestió de l'esport** into the Barcelona market, a large capital and probably one of the cities offering the largest varieties of sports in Europe: whatever the activity, (indoor or outdoor, sports, beauty, spa, etc.) it was available and with a substantial and consolidated offer, ranging from multiple large operators to individual companies specialising in personal training.

In addition to these advantages however were a series of challenges whose resolution required an effort at both a structural as well and personnel management level. E3

meant the incorporation of more than 200 new employees with characteristics which differed to the personnel profile of **LLOP · Gestió de l'esport** at that time. The average age was higher (the average **LLOP · Gestió de l'esport** at that time. The average age was higher (the average employee was 30 whereas and the E3 employee was 40), the roles/profiles were very stable, and possibly most importantly, it was a numerous group of professionals from another culture. "The culture at **LLOP · Gestió de l'esport** is created through sedimentation, it is not imposed, it is acquired: 11 years of acquiring a character and way of doing things. The incorporation of a 200 strong workforce (2/3 of the workforce of the group of companies) was the most complex challenge in managing this acquisition.»

GONNAFIT

When in 2012 the Catalan sport's industry cluster (INDESCAT) carried out a study into sports enthusiasts (See ANNEX 3) **LLOP · Gestió de l'esport**, member of the Cluster saw the opportunity to diversity their business, having recognized a series of trends that they imagined to be true, but which the study confirmed.

In the climate of financial crisis, part of the population had more free time, and there was also an increasing tendency to perceive sport as a basic fundamental need in their lifestyle. This coincided with the launch of the still emerging project called GONNAFIT.

During this same period, the cluster organized a company mission to Brazil, where **LLOP · Gestió de l'esport** participated alongside other companies. These companies, and



particularly Llop's team of directors, were surprised at the number of people who participated in outdoor sports. From football, volleyball, running, and capoeira on the beaches of Rio de Janeiro, to running and cycling in the parks of Sao Paulo. On their flight back to Barcelona, they finished establishing the definition of the GONNAFIT concept. An innovative gym offering outdoor sports to members, in groups, based on a fitness programme and led by a specialized fitness trainer.

«Gonnafit is the first business with an online based management system (attracting and gathering users) we have created, and to do this we had the assistance of ACCIÓ Start-up Catalonia (business start-up mentoring and acceleration programme) which allowed us to change the traditional business frame of mind.»

In this manner, **LLOP · Gestió de l'esport** maintained its "outsourcing" model but now it had transferred to them to the parks and streets.

Gonnafit users were between the ages of 20 and 40 and 70% were women. It was a business model somewhere between the mobile internet and social. It had an app where the user could see who would be attending the sessions, create a network of friends and manage their membership. At the beginning of 2015, it had more than 300 users.

VIVÈNCIES

Vivències was incorporated in September 2013. This was a company dedicated to providing leisure activities aimed at schools,

groups, families (summer camps, one day activities – barbecues, traditional, seasonal chestnut roasting events, adventure excursions). **LLOP · Gestió de l'esport** controlled 50% and held the casting vote.

Vivències was an entity that provided a service to the largest group of citizens, the one that was not being targeted. At **LLOP · Gestió de l'esport** it served from facilities but to not age specific groups. E3 was focused on the older generation. Gonnafit the young people. Vivències targeted those in the middle.

«A day centre for the elderly can be important as a user hub or node. But it is not essential, as is the case with the municipal facility at **LLOP · Gestió de l'esport**.» Vivències was the family version of E3, which was aimed at providing families with children activities lasting one or several days.

2014 saw the creation of Sintagma, a company that joined the five companies under the umbrella of a single brand and defined it as: «...a group of companies dedicated to the management of sports facilities and the organisation of physical, sporting and leisure activities... The Sintagma group is the joining of companies with the same values: the commitment to society and trust in people»¹.

At the beginning of 2015, the figures for the group reached a turnover of 11 million, 141 customers, 168,852 square metres of managed area and 84,121 users attended by 631 employees in total. (SEE ANNEXES 4 AND 5).

1. <https://sintagma.com/group>



THE SPORTS FACILITIES MANAGEMENT SECTOR

The management of public sports centres was provided under two formats: *the contracting of the provision of services or comprehensive management*.

When the management of a public sports facility was awarded to a service company, this must evaluate a series of factors that would determine the type of management to be carried out: the legal form to adopt (concession, arrangement, lease, stakeholder management and trading company), the magnitude of the cession (absolute, partial or usage), the object of the cession (equipment, sports programme or complementary service), and the performance hoped to be obtained (social, economic, sporting) (See ANNEX 6).

Therefore, in the comprehensive management format, the administration owner of the sports facility delegated the management of the operation and the services to a specialised company, such as **LLOP · Gestió de l'esport**, with a high degree of autonomy and for a limited period of time.

In this case, it was the administration contracting the services which drew up the strategic guidelines and directives. Control was shared by the contracting entity and the service company, and a monitoring committee was created made up of representatives from the sports entity and the service company performing the management.

With regard the *provision of services* format, the owners of the facility contracted specific services out to external companies, but

retained their management, functional organisation and economic administration.

In this case the coverage of the services contracted was limited to the programming of activities and the team of instructors and coordinators that organised them, and on occasions, it could include maintenance, cleaning and attending the public.

The “sports” item in the budget (as a percentage), was one of the highest of the councils. During the “Intermunicipal Comparison Circles” carried out by the Barcelona Provincial Council (for 50 municipalities with a population of more than 10,000), the average was 7% of the ordinary budget. Some municipalities dedicated nearly 10% of their ordinary budget and some only 4% (SEE ANNEX 7). It was therefore a very important item which included maintenance and operation but not investments. In general terms, the municipalities that had a sports complex with a swimming pool were those closest to 10%.

The councils retained the direct management of the football grounds, pavilions and athletics tracks, given that they were not very profitable: the users were federated teams/clubs that received grants and did not generate any revenue, only expenses. They were therefore impossible to licensed out.

LLOP · Gestió de l'esport services and products

Concession

The public facility was operated by **LLOP · Gestió de l'esport** economically (awarded), under licence. These were long-term contracts in which there was an operating



risk and involved an investment in equipment, renovation, etc., which was carried out by the concession holder. Throughout the term of the operation, the council returned the investment (in accordance with the tender terms and conditions of the municipality's administration). Thus, the larger councils could demand that these investments be carried out which would then be later recovered through its operation.

When evaluating the attractiveness of a tender, the first criterion that **LLOP · Gestió de l'esport** evaluated was the potential population of the municipality where the facilities were located.

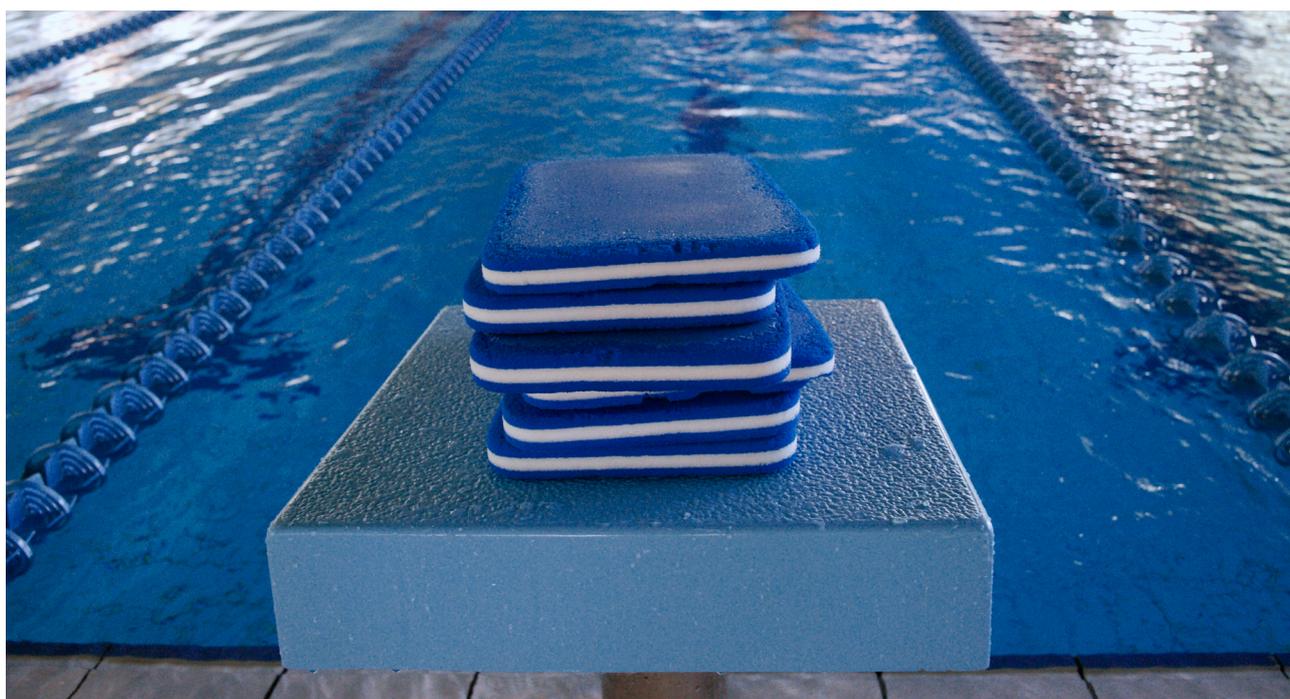
«Anything is possible in Hospitalet de Llobregat and Barcelona. In municipalities such as Sant Vicenç dels Horts, not everything is possible and in one like El Papiol, it is practically impossible.»

The second criterion was the price.

«We are carrying out works in Sant Vicenç dels Horts, where the council attached a preliminary project to the tender valued at 2M euros. We presented a proposed project of 1.5M euros, which contained what they had asked for, but not exactly the same, because it reduced the scope of the investment.»

The council set the limit on the investment and the specifications, and the companies that put in bids designed the project with the investment that they considered reasonable. It was this point, the balance between investment and operation that determined the award of the concession. What the concession holder, **LLOP · Gestió de l'esport**, finally charged the end-user as a monthly or per use fee was also established by the council.

Based on the analysis of the sports system at the facilities as well as its characteristics, **LLOP · Gestió de l'esport** created a project



to achieve an efficient management, capable of satisfying both the administration owner of the facilities as well as the users.

Provision of services

In the case of sports areas that were not profitable, the councils did not directly contract personnel, but rather subcontracted at a price, (something similar to what happened with the waste collection service. **LLOP · Gestió de l'esport** was a contractor: for example, the administration requested a number of hours for concierge services at the football ground, and in this case, **LLOP · Gestió de l'esport** provided the concierge and charged for the service on a monthly basis.

For **LLOP · Gestió de l'esport**, the management of multiple facilities facilitated the substitutions and rotations of personnel in the event of absences, given that that it had a pool of professionals that could provide cover until the hiring or definitive replacement position holder. As a result, the service level was always high.

«Sports facilities are a business with peak and off-peak timetables. The majority of trainers have precarious contracts with their employers, the private gyms. They pay them for their services during peak hours and do without them during off-peak periods. We, on the other hand, by having many facilities in operation, can offer rotations, or at least be a more viable alternative of employment (offering more “secure” hours of work). A trainer is an academically and physically prepared professional but is also someone with a short employment cycle. Today it may

seem that there is a high availability of this kind of collaborator, but that is not true – good collaborators are difficult to find and when you have them, you need to hold on to them – because should this recession ever end they will be the first to find other professional alternatives.»

The main limitations to the **LLOP · Gestió de l'esport** business model were the offer and the prices. The **LLOP · Gestió de l'esport** (facilities (all publicly owned) were obliged to cover the full spectrum of the population (from children to the elderly) and at prices established by the owning administration of the facilities whereas other operators (managers of their own facilities) established their own offer and pricing policy (e.g. The David Lloyd sports club focused on families and the Dir gyms did not allow children).

In light of these limitations, **LLOP · Gestió de l'esport** considered that it should make itself stand out through the intangible elements of the service. «Unite people to move emotions». Stand out to offer a service that would attract people for the friendly environment by making an effort so that the whole team was capable of transmitting these values at each point of contact with the customer (whether at reception, cleaning, etc).

«The good thing about this concept is that if you have good facilities and offer a superior service, and if you also do it at the municipal swimming pool or sports centre, the effect is extraordinary. It no longer has anything to do with whether you pay a certain amount. It is about when you, as a citizen, go to something related with the council, you don't expect it. People complain about



the doctor's surgery, and the quality of education. The state run school does not have a mission to "unite people to move emotions". We do. It is not about words. It is what we are and the general public see this. When the general public come to our sports centre and say: 'I don't come for the machines, I come for the people', then you have achieved something important.»

THE IMPORTANCE OF THE MANAGEMENT OF HUMAN RESOURCES

«Building intangible elements is a way of spreading outwards, and the first order of the day is to lead by example. We, the owners of the company, and the service managers must be capable of transferring to the team what we want the customer to perceive.»

LLOP · Gestió de l'esport, at the end of 2014, had a workforce of 380 employees: receptionists, maintenance and cleaning employees, physical activities instructors (with 1 or 2 years vocational training - mandatory requirement), lifeguards and facilities managers (licensed). The size of the workforce depended on the tenders awarded: when **LLOP · Gestió de l'esport** won a tender for the management of a sports facility, it subrogated the personnel. In other words, if **LLOP · Gestió de l'esport** began managing a facility whose service provision was previously the responsibility of the council, the personnel employed at that facility would be subrogated under the responsibility of **LLOP · Gestió de l'esport**; and in the case of closure due to termination of the contract, these employees would

be subrogated to the following concession holder.

The instructors formed the bulk of the workforce (240), although many of them dedicated 3, 4 or 5 hours a week to their work in **LLOP · Gestió de l'esport** (employed via a contract for works and service), and therefore usually have several jobs (the agreement allowed the volume of hours to be adjusted on a quarterly basis, as it was particularly conditioned to the what was being offered).

With regard the instructor personnel, in 2015 there was an "almost perfect" market. Although in 2004 it was difficult to find these profiles and there was no regulated qualifications, but with the approval of Law 3/2008 of 23 April, on the performance of sports professions in the Autonomous Community of Catalonia², certain sports professions were recognised and regulated (physical education teachers, professional sports entertainers or monitors, professional trainers – in reference to a specific sport - and sports managers), specifying the qualifications required in order to perform them. In this manner, it ensured a minimum and regulated training of the people providing the professional services in the interests of the health and safety of those practicing them. In other words, in order to be able to be employed as an instructor at **LLOP · Gestió de l'esport**, it was necessary to have the corresponding qualification.

Thus, the main challenges in relation to people management faced by **LLOP · Gestió de l'esport** were (1) maintaining the culture

2. <http://www.boe.es/buscar/act.php?id=BOE-A-2008-9292&p=20150520&tn=0>



of attention and service by personnel holding multiple jobs, professionals that required two or more employers to have a full weeks work. In spite of the fact that part-time work, based on hours, was normal for the sector, **LLOP · Gestió de l'esport** was able to offer higher employment ratios. For example, it could provide morning employment at the municipal swimming pool training elderly people, and from mid-day through to the evening, employment at a sports centre. However, this was not always possible, given that quite often the offer managed by **LLOP · Gestió de l'esport** was the only one within a fairly extensive radius. Furthermore, through its multiple initiatives for diversification (E3, Gonnafit and Vivències) it provided opportunities for its instructors to complete their employment schedules. However, its directors recognised that these were still not “buffers” to absorb employees.

The second challenge was the subrogation of personnel.

«We try to manage through values, through their transmission. We transfer them to our team and we explain that certain values are not acceptable. This is difficult to do, especially when we subrogate personnel that have perhaps already been through two or more workforce adjustment plans.»

If the average age of the workers at **LLOP · Gestió de l'esport** was 30 and they had been with the company for an average of 3 to 4 years when they renewed their contracts, they had to subrogate, for example, contracts of monitors of 45-50 years of age with a background of more than 20 years in the business who had passed through

four different companies. This situation was not desirable as it was a very physical job and the instructors in the sector agreed with the management of **LLOP · Gestió de l'esport** that an instructor aged 25 could run a maximum of 20 to 22 sessions (each with a duration of 50 minutes) of physical activity per week, and therefore, this physical “bottleneck” restricted the hours that could be worked by the professionals, their cycle of professional efficiency and the perceived quality of the service provided to the users.

CURRENT AND EMERGING COMPETITION

The market targeted by **LLOP · Gestió de l'esport** is mainly serviced by companies with a range of services, a value proposal and a structure similar to that of **LLOP · Gestió de l'esport**. However, since 2011 new competitors emerged of a greater size and know-how in terms of generalised provision of services, but with an absence of specialisation in the sports activities sector.

In the first group, the most relevant competitors at a regional level were Seae, IGE BCN, Accura Sport Management, Top Consulting Esportiu, Meta Gestió, Sage Sport, Grup Serviesport, Diversport and Ingesport at a national level.

The second group was formed by large scale operators specialising in the provision of services such as Eulen (Eulen Sport), Ferrovial, Acciona, ISS, Clece (ACS) and Cobra.

There could also be the exceptional case of bidding for a tender against sports entities (non-profit making) and specialists,



gymnasium chains such as Dir or Metropolitan.

FUTURE CHALLENGES

Stagnation on the one hand and the direction that the sector might take during a recovery, whether it existed or was prolonged, were the main concerns for Albert, August and Jordi. In 2014, it was no longer a small company with a turnover of 7 million and a workforce of 380 employees.

After the expansion period between 2004 and 2011, in 2012 and 2013 growth was 0% and in 2014, around 10%. Part of this behaviour is due to the concession cycles: when awarded a tender, if it was important (from 500,000 to 1 million), this represented a growth of 20% for the year, which is growth “by packets” and not sustained over time. Additionally, since 2012 there had been a severe decrease in the construction of facilities, and the public administrations had not announced any large calls for tender. «If there is no construction, there are no tenders.»

The main motivation behind **LLOP · Gestió de l'esport** was growth and this mentality had become a business strategy open to changes and which had raised doubts about its belonging to only one sector.

«Why do companies have to dedicate themselves to being concession holders of facilities or contracts to supply services to users? Why not both? Why do the companies decide at a given moment that the best are large facilities when quite often the smaller ones offer greater margins?»

Management of talent

With regard the provision of talent by the market, **LLOP · Gestió de l'esport** was different to the majority of companies because it made talent: it began with the raw material and transformed it. The majority of concessionary companies, when they had a new important facility to manage, they would recruit instructors. **LLOP · Gestió de l'esport**, on the other hand would hire and train them, and whenever it was awarded a tender, it would already have its own instructors and not those recruited in an ad-hoc manner from the market for the concession. This is founded on the basis that all the professionals of the company must go through the same process, as this generates adhesion to the projects, as well as a single culture within the company. It did not outsource, but rather contracted junior instructors and even trainees, which were trained and developed in-house. This was the case for all the staff, managers and coordinators, with the exception to those who came from E3 (where this process for promotion and culturisation resulting from the incorporation due to the merger, had never existed), which amounted to half of the staff.

Communication

LLOP · Gestió de l'esport modestly invested in communication. Although it was trying to improve the image of both the company before the administrations as well as the facilities before the customers, the end-users, its past as concessionaires had been as a “house brand”.

In the case of diversification (Gonnafit or Vivències, for example) this meant products



aimed directly at the consumer where the creation of a brand was key, and therefore, it was necessary to invest. In 2015, the renown of both companies was not, in the opinion of the owners, satisfactory. Gonnafit, in particular, had a strong social traction that was intrinsic to its existence, but generally speaking, the four needed to reconsider their communication policy.

Evolution of the model and R&D

LLOP · Gestió de l'esport had until 2014 been a concept of achieving a lot of value on few occasions. The award of a dozen tenders helped put them where they were positioned in 2014. In 2015 however, they were moving towards activities that were “few, very often”, such as in Vivències, or “very little, almost always”, such as in Gonnafit.

«We are moving from a property based content where the key piece is the building to another where it is the user. Why can't we think of Gonnafit as only for trainers where they are prepared and form a pool that we can hire from? **LLOP · Gestió de l'esport** has to learn to make money differently to how it does today given that if the facilities will be of less importance and the people (users and instructors) more important, whoever pays all or part of the investment, whoever sets the prices changes. Should all of this happen, what is the use of everything that we have developed from the tenders and the trained personnel? We are hearing of concepts such as Pure Gym (See ANNEX 8) where the trainer has disappeared and there is an investment in better equipment, flexible

timetables, more extensive formats and clean facilities which are centrally monitored. Why is it impossible to think of non-existent facilities and trainers with dynamism and creativity applied to create a sporting and social experience where young people meet other young people and that all this happens within the framework of cities over-equipped with forests, circuits, sports equipment parks, etc.?»

The fitness boom and the sporting culture and lifestyles demanded a new model.

«A user used to ask for secure parking for cars or motorbikes as a service. Now they value one for bicycles. A woman arrives on a bicycle dressed to use the gym, does it make any sense to offer spinning classes and send her home on a bike? This is taking the leap from what you are to what you want to be. We have, I think, what we need. In the example of Pure Gym, the generation of the demand (through a very attractive and simple website) has a very low cost and is not based on economies of scale. There are no added services (towels, etc.). It is at the other end of what we have prepared for, in what we have invested.»

In 2015, neither Gonnafit or Vivències provided sales or a positive contribution to the group, although they were considered potentially transformative, they were more than satisfactory in this sense. Innovation, in the case of **LLOP · Gestió de l'esport** was not a service or product offered to the customer, because in the performance of the activity it was not necessary to “invent”



a product, it was enough and more effective to incorporate it (in spite of having launched an activity of its own creation which rapidly, and with no cost, was adopted by the competition), but firstly, tools that allowed them to control costs, have management and procedure instruments that allowed a better control of costs and efficiency, (considering that they operated in a sector with a low margin), and secondly, the ability to transfer to the human relationships, whether the team or the users, loyalty mechanisms through the incorporation of new elements that would attract people. In this area they developed, for example, the *Move Plan* which included different proposals to surprise the user and create loyalty. Finally, the absence of innovation in activities was justified by the value proposal «...a new activity is fitness discourse and llop-gestió de l'esport is committed to the discourse of health, training, leisure, etc.».

«This (that of the Pure Gyms) is not the business model of **LLOP · Gestió de l'esport**», and considering that **LLOP · Gestió de l'esport** could not fight against the costs (it did not have cost control levers because its contribution was the people, and to optimise cost «it is necessary to make the assets sweat», and in this case the assets are people and therefore the related activity, and the component of physical exercise, could not be considered) its offer must have other values to be attractive. However, accessing the service to the people via the public administrations also restricts the options to extend the offer to health, nutrition, yoga, etc for different ages. The care of the well-being of people was a holistic task in which the management of assets was irrelevant. Unless it was possible to change the

municipality's priority. «Now we are at the other end, it's costs and management. They don't ask for a value proposal but rather hint at one». The alternative was to have capital available to be able to independently review who did the facilities. With no capital it is not possible to escape from this model. They managed facilities that they had not built and this limited their offer. However, in spite of the restrictions in terms of value proposal involved in the management of public facilities, one of the main advantages of its business model were the fewer barriers for outgoings, given that there were no construction costs.

The opportunity was to be able to leverage the model on the infrastructure. Using the municipal facility (with more traffic than any other) to sell the “augmented product” to those most keen on outdoor sports (well-being, outdoor training, leisure activities, etc.) this was an initiative that had in part already started with Gonnafit and the synergy could be exploited so that **LLOP · Gestió de l'esport**, the company that did not have the property assets, would gain profitability from an option which, in addition to being scalable, was not building related. The facility, or the building, was of interest because it allowed access to machines and the initiation and conclusion of the Gonnafit experience at the municipal facility. This could have posed problems in terms of controlling revenue, but they were not severe. **LLOP · Gestió de l'esport** had locations in municipalities of between 10,000 and 30,000 inhabitants, therefore there was little competition at a similar level offered by privately run entities.

The more the gymnasium or swimming pool model was combined with other models



such as Gonnafit, there was a greater need to go to a more populated place, given that a minimum scale was required to make it worthwhile, in other words, municipalities with about 50,000 inhabitants (for example, cities such as Manresa with 60,000 or Vic with 40,000).

Conclusion: management of prices and the low cost model

The prices to the client were established in the contracts, therefore the only way to compete in the sector was by being able to control the costs.

«We haven't stopped being low-cost, because for 30-40 euros we offer the same as the new business models, but with a sauna, instructor led activities, etc. The private companies cannot do it at this price. In a town of 10,000 to 30,000 inhabitants, you won't be successful, where you can be is in the large cities, because of the number of people that can come and the physical demands of these individuals, their willingness to do diets, yoga or anything that will have an effect on their health. The problem is that in towns with a population of 10,000 inhabitants, the facilities that were created were unsustainable because there were not enough paying users...» (See ANNEX 9)

As the prices could not be changed, because they were set by the awarding public administration (unaware of the costs of the service), the concession holder had its viability pending on the management of these costs, as they were the only variable in the margin that could be modified, seeing

that the price for the user and the winning bidder were fixed. Therefore, the threat from competitors such as Ferrovial was very significant, given that if they entered the sector, their know-how in the management of costs exceeded the capabilities of **LLOP · Gestió de l'esport** in this area. The purpose of the business was the provision of a service, therefore, one of personnel, and it was not subject to economies of scale - it was not scalable, except for back office services. This grew in line with the tenders and it was necessary to provide a human resources on a proportional scale.

«Sometimes I think we should be like an airline or a supermarket which asks itself which way to go: Should we go for low-cost and offer the facility management business, or should we for the full service and focus on providing the user with excellent service? Our "facility management" focus has become "differentiated selection and attention to user segments". If the future is instructorless gyms requiring a PIN to enter, we are heading in the wrong direction. Although we can only grow modestly based on renovations, we can lose a great deal by not doing so. Diversification is an alternative, or so it would seem. **LLOP · Gestió de l'esport** is in the segments of the future (the elderly) and the channels of the future (online and social media)»

Low-cost means being low cost through the complete value chain: supply more cheaply than anyone else in infrastructures, machines, personnel and personnel training; and have low-cost operations (e.g. maintenance). This would involve profound changes to the



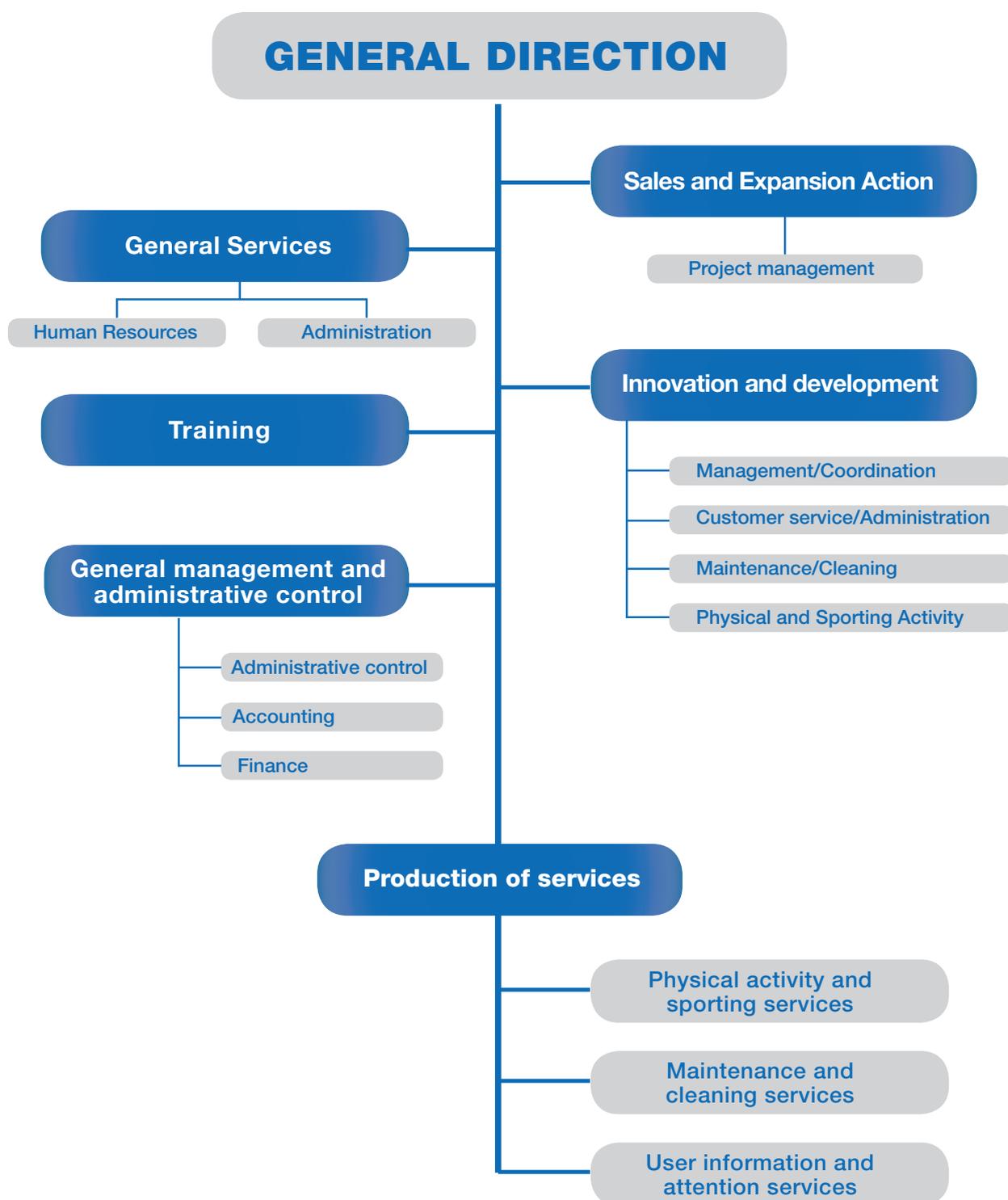
LLOP · Gestió de l'esport model which would mean subcontracting the operations, where possible, to the consumer, even longer operating hours (taking advantage of the peak times for extra activities; eliminating fixed costs and replacing them with variable costs; and with regard marketing, making a brand closely associated to its price (a gym of the 5.99 or 12.99 variety), with more actions in public relations than advertising, and making the most of the assets for promotion purposes (infrastructures with your brand). And ultimately, being everyday low price, or always low prices. But **LLOP · Gestió de l'esport** has neither the culture nor leadership in low-cost.



ANNEX 1 · Main milestones of LLOP · Gestió de l'esport



ANNEX 2 · Organisation chart



Source: LLOP · Gestió de l'esport



ANNEX 3 · Study of sports practices

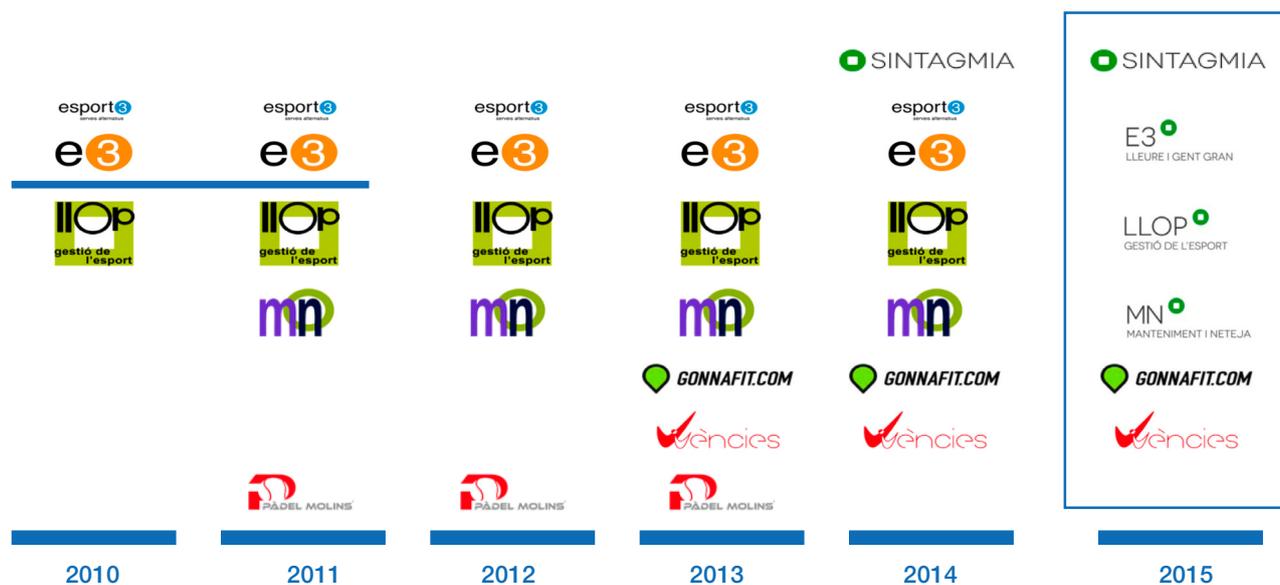
46% of the population (12 - 70 years) **are considered to sportsmen/women**, compared to 13% who are not. This volume of people practicing sports is expected to grow by 10% over the next few years, reaching **56%**. Among those practicing sports, the following segments have been identified and there is a trend towards an **increase in the most active groups**:



Source: IDESCAT



ANNEX 4 · Evolution of the companies of the group and mission, vision and values



The mission of LLOP · Gestió de l'esport

LLOP · Gestió de l'esport is a company which offers sports services to local administrations, undertaking the objectives of our customers and providing quality, willing service and trust.

LLOP · Gestió de l'esport: commitment, quality, service and trust

The vision of LLOP · Gestió de l'esport

Through the collective work of the whole team of professionals at llop-gestió de l'esport we have consolidated ourselves in the market and this has allowed us to assume the intellectual leadership of the sector. Our clients (current and potential) need to understand and perceive the attributes that we at llop-gestió de l'esport define in our mission: commitment, quality, service and trust.

LLOP · Gestió de l'esport: leading company

The values of LLOP · Gestió de l'esport

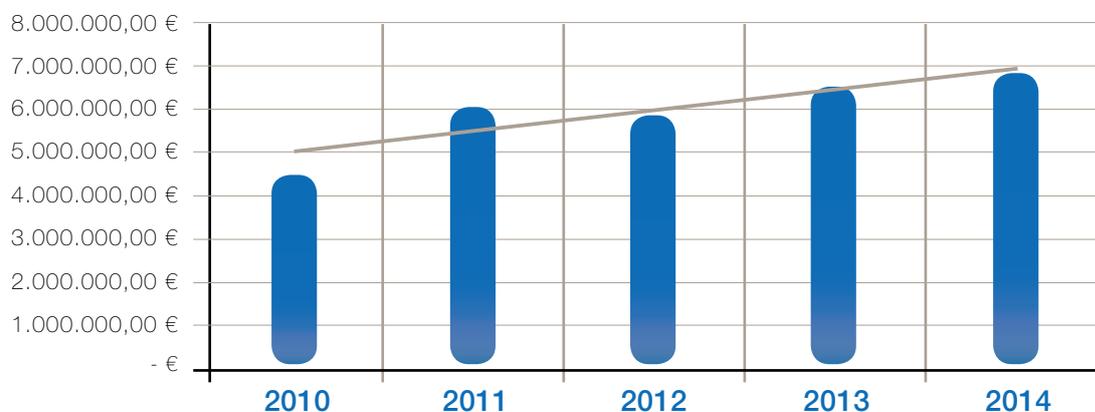
- Humility
- Trust in the company and the team
- Customer focused
- Focused on continual improvement

Source: LLOP · Gestió de l'esport

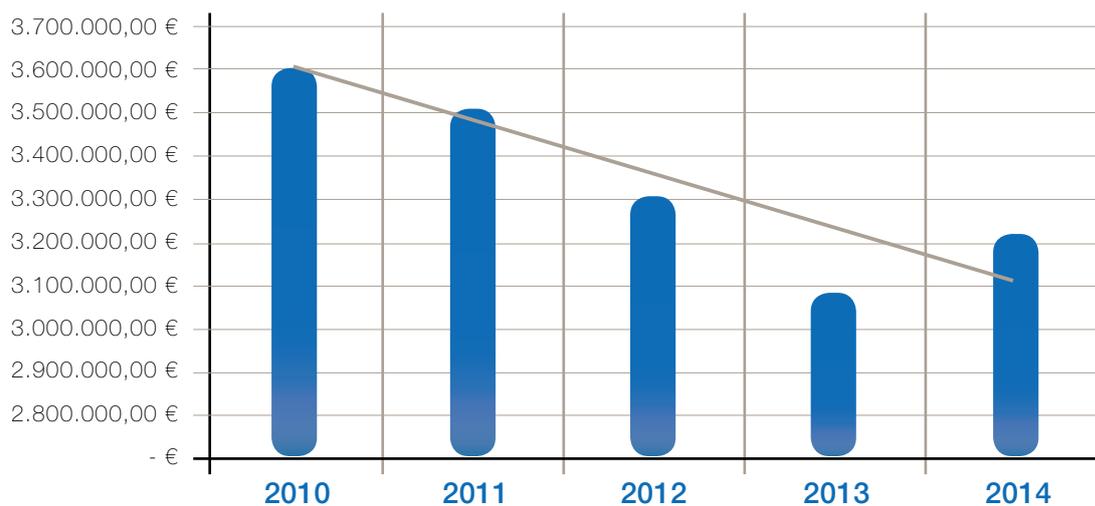


ANNEX 5 · Evolution of sport

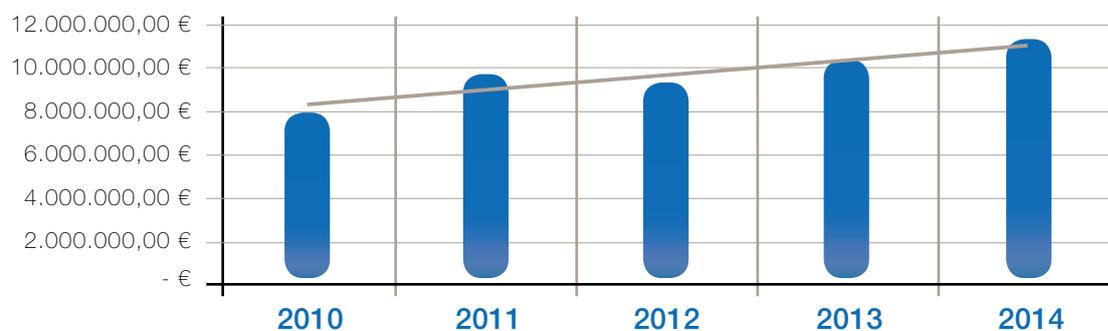
LLOP · Gestió de l'esport



E3 TOTAL



SINTAGMIA



Source: LLOP · Gestió de l'esport



ANNEX 6 · Types of indirect management

Concession

This is a contract by virtue of which the local administration transfers and grants a private entity (the concession holder) the provision of a service for a specified period of time, under specified conditions. Normally, the purpose of the concession is the mere running or management of the public service but it can cover the construction of a site or facility. The economic compensation of the concession could be in the form of a fixed annual fee or the product resulting from the application of the rates of the service or a combination of both. In this form of management there is a transfer of the service via contractual means, from the Administration to the concession holder, which is normally awarded through a tender process. However, as a basic principle of any concession it is established that the service awarded will continue to hold the classification of public service. In the concession, the Administration has the ability to regulate all the characteristics of the provision of the service, as they are able to contemplate them in the technical and economic specifications of the administration.

The minimum clauses to be contemplated in any concession are:

Purpose of the concession; term of the concession, economic regime; duties and obligations; penalties; capacity to compete; award criteria; nature of the contract; prerogatives of the administration; and competent jurisdiction.

Possibilities of the concession in the area of sports management: at a non-sporting local level; at a sporting activities level; at a non-sporting services level.

However, when an administration decides to outsource the management services to an external agent, it is necessary that there is a control of said management in order to ensure the levels of quality. To do so, a contract is drawn up by means of technical specifications in which the administration establishes the conditions under which the external agent must perform the management.

Arrangement

This is the format in which the local entity provides a service of an ancillary or beneficial nature at the facility or establishments belonging to other persons or entities in exchange for the pertinent economic compensation. The arrangement has a significant validity within the sporting sector when relating to the development of activities that require expensive facilities that the council does not own, such as golf courses or nautical facilities. The arrangement is also applicable when the council considers a better use of the sporting facilities of a private nature which could meet a social and sporting purpose, especially when the council lacks public infrastructure or that which currently exists cannot satisfy the demand (very common in covered swimming pools).

Leasing

In theory, this involves transferring the operation of certain services previously installed by the corporation and of which it is the owner, (profitable in principle) in exchange for a price or fee. This form of management must be used when it is absolutely necessary to take into account the economic interests of the corporation, which are, lower costs and high revenue.



Stakeholder management

This is a formula in which the Administration entrusts the management of a public service to a private entity, with the facilities and the premises being the property of the corporation. The private entity is a form of industrial partner which receives a remuneration from the administration either as a lump sum or a share of the profits. This system has a marked contractual nature. It is difficult to apply to municipal sports structures and services.

Trading company

This is a format in which the share capital only partially belongs to a local entity. It is a mixed form of company management, in which the corporation forms part of the company, but in a limited capacity.

Source: "On the Planning of the Sports Facilities Management. A path towards sustainability ["De la Planificación a la Gestión de las Instalaciones Deportivas. Un camino hacia la sostenibilidad"] HIGH COUNCIL FOR SPORTS, November 2011

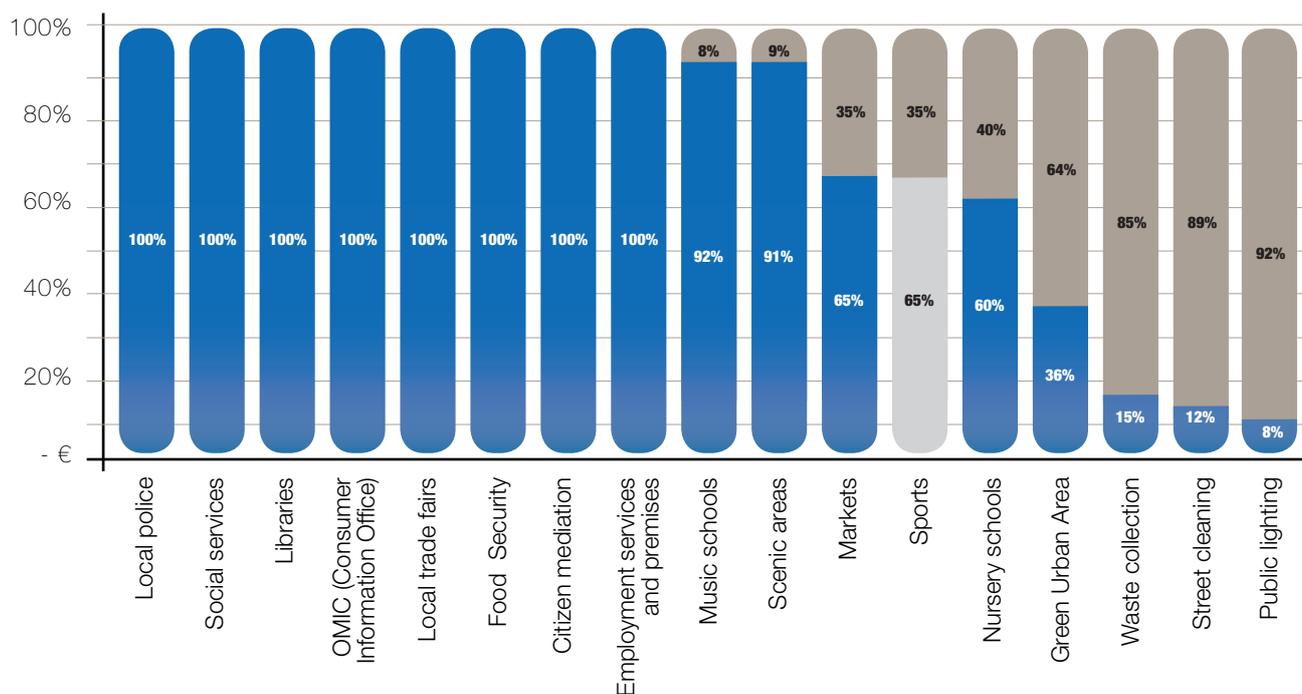


ANNEX 7 • Municipal expenditure under the sports heading

% of direct and indirect management

■ % direct management ■ % indirect management

Fig. 15. Comparison of the % of direct and indirect management of the sports service to the other services participating in the Circles 2013



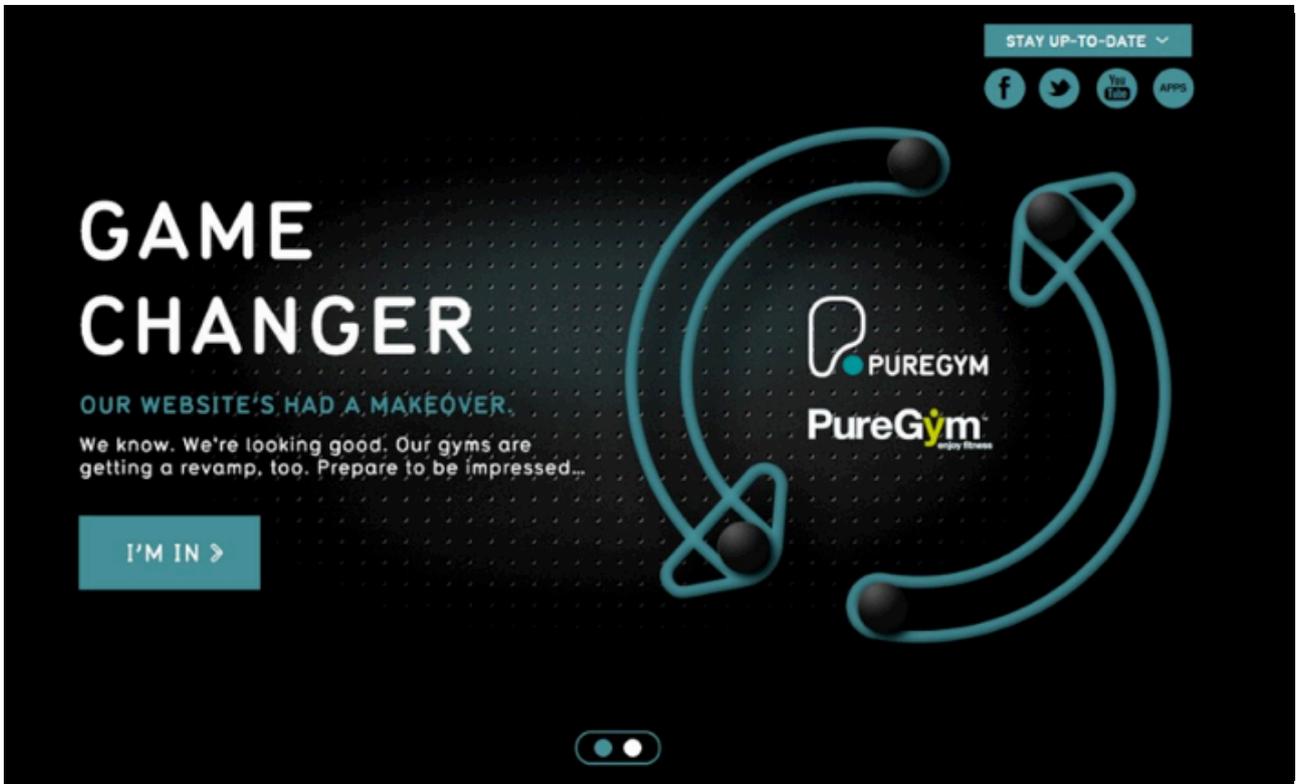
Availability of suitable resources for the sports service	2011	2012	2013	
Current expenditure on sports (including concessions) per inhabitant	59,5	61,3	58,3	average
	73,4	74,5	75,4	+10.000 inhabitants
	57,0	58,1	53,3	+30.000 inhabitants

Availability of suitable resources for the sports service	2011	2012	2013	
% Current expenditure on sports (including concessions) of the current municipal expenditure	7,2%	7,4%	7,0%	average
	7,5%	7,7%	7,9%	+10.000 inhabitants
	7,1%	7,3%	6,6%	+30.000 inhabitants

Source: 11th edition of the Intermunicipal Comparison Circles for Sports Results 2013
Barcelona Provincial Council, December 2014



ANNEX 8 · Pure Gym (“game changer” concept)



Source: <http://www.puregym.com>



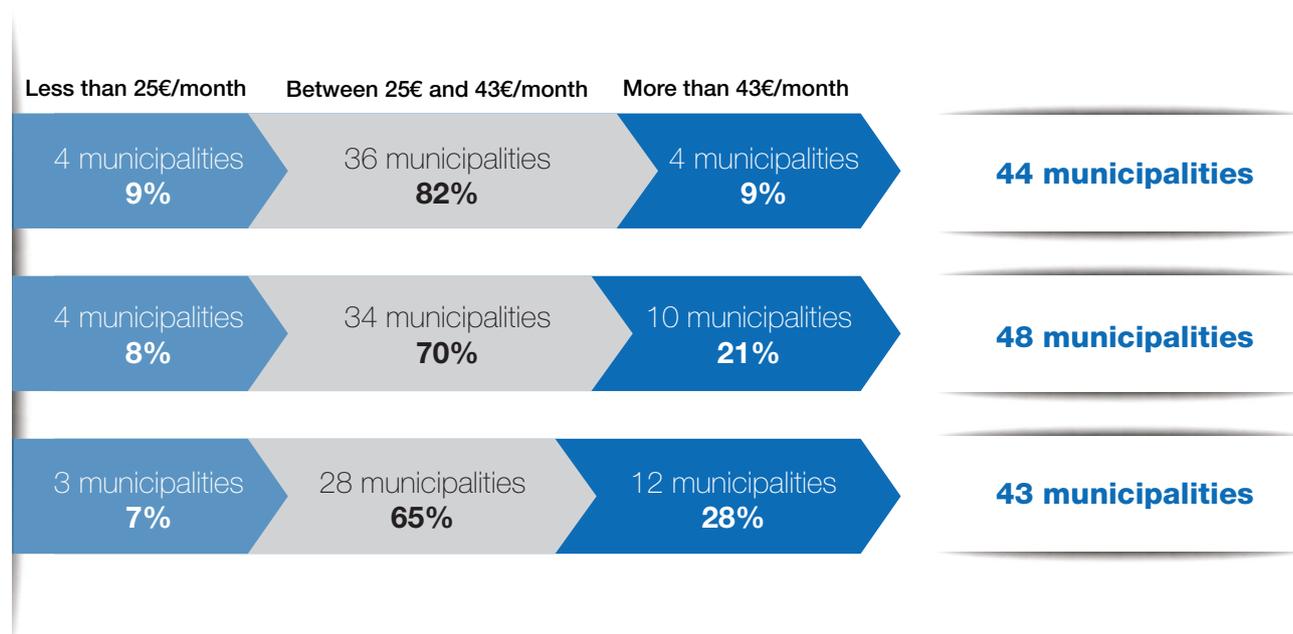
ANNEX 9 · Comparison of sports complex prices

Table 4. Average price increase of individual monthly payment at a sports complex by management type.

	2012	2013	TOTAL
CEMS DIRECT Management	↑ 2 €	↑ 0 €	↑ 2 €
CEMS INDIRECT Management	↑ 1 €	↑ 1 €	↑ 2 €

It is considered that the standard monthly payment for a sports complex is between €25 and €43. If we compare the volume of municipalities for each price range, with those from the two previous editions, it can be observed that despite there being a low number of municipalities providing data, there is an increase of those in the upper bracket.

Figure 8. Distribution of municipalities according to average monthly payment 2011-2013



Source: 11th edition of the Intermunicipal Comparison Circles for Sports Results 2013
Barcelona Provincial Council, December 2014



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