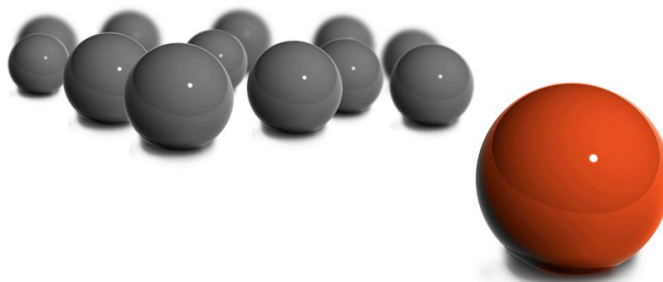


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IHRSA launched its Ask an Industry Leader website feature one year ago. Since its inception we've published your questions with answers from some of the most successful fitness industry professionals.

Our Industry Leaders include club owners and operators, IHRSA speakers, fitness industry consultants, and personal trainers. Their levels of expertise span across the entire industry, from marketing strategies to group exercise programming ideas.

This publication is a collection of the most popular posts of our first year. Popularity is, in this case, judged by web traffic.

This collection of popular posts is perfect for a newbie or a loyal reader looking for a refresher course.

If you enjoy this publication, you can get an Ask an Industry Leader update every Monday morning on IHRSA.org.

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Question:

“What is the average cost of selling a health club membership?”

Industry Leaders:
Bill McBride
Paul Brown

Sales staffing and commissions are usually in the \$75-\$150 range per new member. \$100-\$125 is common with higher priced clubs.

Direct marketing costs (not including personnel) are usually in the \$75-\$150 range as well. \$100-\$125 is also a common direct marketing cost with higher priced clubs.

If you have a marketing staff you would take that number and divide by your sales number to determine the full marketing expense load. My estimate is that it would add \$10-\$50 per sale depending on your marketing team payroll and head count.

All in, you can be at \$200-\$250 per sale in expenses for a premium priced club membership. This would be anywhere from 2-3 month of member tenure to break-even on acquisition costs. Retention has a much higher ROI.

Bill McBride, COO
Club One Inc.

When figuring the total cost of advertising and marketing, be sure to include the following:

- Direct advertising costs
- Signage and billboards
- Internal branding and uniforms
- Brochures and fliers;
- Web site creation/support;
- Phone line/call costs
- Sales staff wages, commissions, taxes, etc...
- Approx 10% of front desk costs

Paul Brown, President
Face2Face Retention Systems

Question:

“What percentage of a club’s revenue should come from personal training?”

Industry Leaders:
John Atwood
Barry Klein

The benchmark for all clubs non-dues revenue has hovered around 30%, with 10.7% for clubs less than 20,000 feet, and 8.1% for fitness-only clubs.

High-end clubs reported 10%-15% of total revenue coming from personal training, while fitness-only clubs reported 6%-14%. Keep in mind that these numbers represent a fairly small sample group and include only clubs that have their act together enough to keep and report their numbers.

If you plan to have personal training as a major focus in your club then these numbers fall short for you. You really need to know what the benchmark would be for clubs that are your size, demographic, fitness-only, and focus on personal training. Clubs that focus on personal training of course do much bigger PT numbers.

John Atwood, Principal
Atwood Consulting

The target membership vs. non-membership revenue for most clubs is generally 80%-20%.

For most small clubs, personal training is the key non-dues revenue source, so – assuming there might be health bar, pro shop, tanning, etc. – at least 15% of revenue will need to come from personal training.

Barry Klein, Owner
Elevations Health Club

Question: “What are the top three reasons people join a health club?”

Industry Leaders:
Katie Rollauer

Attractions of Current Health Club

Overall health/wellbeing – 69%

Variety of strength and cardio equipment – 55%

To work out rather than socialize – 48%

The chart to the left shows the responses of 1,000 health club members when asked what attracted them to their current club.

IHRSA conducted a survey in April 2009 of 1,000 Americans and asked them why they are attracted to their health club and what their personal goals were. The responses were very interesting.

When members were asked what attracted them to their current health club, the following top 3 selections were made (multiple selections were allowed):

1. “For overall/health & wellbeing.” (69 percent)
2. “For the variety of strength and cardiovascular equipment.” (55 percent)
3. “In order to get my work out in, rather than to socialize.” (48 percent)

Katie Rollauer, Former Senior Research Manager
IHRSA

Question:

“How can we increase prices without hurting our retention rate?”

Industry Leaders:
Jill Stevens-Kinney

I recommend that you get into a practice of increasing your dues once a year. Let members know they can expect to see an increase in dues, relative to increased costs, each year. You can explain that your club prefers not to solve these increased costs with staff or service reductions.

The best time to do a dues increase is in conjunction with your busiest sales season. In the US, this is typically January when clubs experience a high volume of new memberships as people resolve to get in better shape in the New Year.

I recommend that you revise your membership pricing structure and notify existing members that you are imposing a dues increase.

“The best time to do a dues increase is in conjunction with your busiest sales season.”

Jill Stevens-Kinney, Managing Director
Clubsources Development Partners LLC

Question: “How can I create/implement a strategic plan?”

Industry Leaders:
Joe Cirulli
Barry Klein

Determine what separates your club from the competition. Why would someone spend money on you instead of a competitor? That means your Vision, Mission, Core Values, Core Purpose and Culture have to be defined and well understood by every member of your organization.

Execution is what separates out exceptional companies. Once a year we set the Strategic Plan and Budget. We evaluate our progress on a monthly basis at a management meeting.

Joe Cirulli, President and Owner
Gainesville Health & Fitness Center

The key issue to consider is why your facility will be unique. Every fitness facility has the same checklist of features – weights, cardio, etc... Why will your facility stand out?

When you step back and consider the full scope of your plan, you should see consistency. If you want to be the low-cost player in your market, then your plan should be consistent with that vision (in terms of target members, expense structure, expected attrition, etc.) Similarly, the profile of muscle gyms, women’s-only gyms, Gen X gyms and senior citizen gyms are all different.

Barry Klein, Owner
Elevations Health Club

“Banks and investors will need a written business plan. Use this as an opportunity to run various scenarios. The most likely scenario is that your initial revenue will be 1/2 of your projections and your expenses will be twice your projections (trust me).” -Barry Klein, Owner of Elevations Health Club

Question: "Is there a standard temperature for health clubs?"

Industry Leaders:
Bonnie Patrick Mattalian
Rob Bishop

We utilize the ACSM Facility Standards when setting guidelines for temperatures in a Fitness Center. Based on facility design, usage, programs and demographics, these ranges may vary significantly.

Most active fitness areas would have a temperature range of 68-72 degrees, based on the heat generated by amount of cardio equipment and usage patterns. Humidity levels, air-flow, and outside air exchanges are also important factors to consider, depending upon the climate of your location and the physical plant of the structure. Include strategically placed fans on ceilings or around the room for optimal air circulation, lessening the load for cooling or heating.

**Bonnie Patrick Mattalian, President
The Club Synergy Group Consultants**

Humidity and air movement can also play an important role in how members "perceive" the temperature.

High humidity will cause the room to feel stuffy and members will report that the room is "hot" even though the air temperature is in a comfortable range. Fans will make members feel more comfortable as the moving air will speed evaporation of sweat from the skin.

**Rob Bishop, Owner
Elevations Health Club**

Question:

“What is the benefit to selling month-to-month memberships instead of yearly contracts?”

Industry Leaders:

Geoff Dyer

Jarod Cogswell

Today’s potential and existing Club members prefer the month to month option over the long-term commitment associated with a one, two or three year contract.

Given the fact that 25% of members are inactive 6 months after joining and that rises to 50% being inactive after one year, one of the black eyes to our industry has been the reputation we have earned from binding inactive members to long term retail installment contracts.

By shifting our industry to a month-to-month model, one club at a time, we will become a business that focuses on member retention AS WELL as new member acquisition.

If our members are free to leave with written notice at any time we will be much more cognizant of their satisfaction with our service, programs and facility upkeep.

Geoff Dyer, Founder
Lifestyle Family Fitness

“The benefit to offering no contracts is that a large percentage of those interested in a club membership can be turned off by the long-term commitment. Therefore, knowing that they (the prospect) can leave at any time is a comforting decision, especially in this economy.”

Jarod Cogswell, General Manager
ClubSport Oregon

Question: "What is the best way to find demographic information for a new club?"

Industry Leaders:
Rick Caro

This Market Analysis involves the old proven economic law of supply and demand. In the case of a club, if demand for a particular club concept is greater than supply (i.e. competition), then it is likely that it is a "Go" situation. If supply is greater than demand, then a "No Go" conclusion is likely.

To analyze the demand, one must do actual fieldwork and conduct drive times (or walk-times if in a downtown urban area) in each of the 8 directions (N, NE, E, SE, S, SW, W, NW) at prime-time weekday evenings. Then, the intersection points for the Primary Markets as well as the Secondary Markets are defined. When they are each connected, the boundaries are specified. This forms the basis of a polygon (often, not a simple circle). This polygon is then transmitted to the computerized demographic service.

There are key demographic variables that need to be singled out and studied. Often, these are not part of a standard demographic package. They are numerous including age, ethnicity, family income level, educational attainment, occupational level (not industry), size of household, ownership of residence, etc. These help define the profile of the residential market. One needs to know the norms

to first understand the data. Then, the data needs to be interpreted using club industry penetration rates to create a Total Demand calculation. This also includes an analysis of the Commercial Working Marketplace to complement the Residential.

Once determined, this only addresses the Demand side. Then, the future club developer needs to identify all fitness facilities that lie within these two polygons that defined the Primary and Secondary Markets. The widest definition of competition is used and includes commercial health clubs of all sized and types, pure Yoga or Pilates studios, personal training studios, YMCAs/JCCs, other non-profits, university fitness facilities, public park and recreation facilities, military base recreation facilities, major condo/apartment facilities, member-owned clubs, etc. Each of these is analyzed completely and its total adult membership is determined.

One then compares the demand versus the supply to determine if the site is truly feasible or not.

**Rick Caro, President
Management Vision, Inc.**

Question: “What is the ideal temperature for water aerobics?”

Industry Leaders:
Bob Shoulders
Brent Darden

“Unless you have the luxury of a dedicated warm water therapy pool, you would normally split the difference and keep the temp as close to 81 degrees as possible.” –Bob Shoulders

It is hard to please both the hardcore lap swimmer who would prefer the water temp was 78-79 degrees and the senior member with arthritis who would like to get into 86-88 degree water.

Unless you have the luxury of a dedicated warm water therapy pool, you would normally split the difference and keep the temp as close to 81 degrees as possible. Water aerobics participants can generally begin moving quickly enough to overcome the initial jolt to their system and get their heart rate pumping sufficiently to adjust to 81-degree water.

**Bob Shoulders, Owner
Fayetteville Athletic Club**

According to the American College of Sports Medicine - “Health / Fitness Facility Standards and Guidelines” (second edition), the appropriate temperature for fitness facility pools is between 78 and 86 degrees Fahrenheit.

Experience suggest that most lap swimmers prefer 78 – 80 degrees, most aqua aerobics participants prefer 81 – 83 degrees, and most aqua therapy/rehabilitation clients prefer 84 – 86 degrees. These ranges work great of course if you have specific pools for each purpose. If not, as is the case with most health clubs, a compromise of 80 – 82 seems to work best.

**Brent Darden, Owner
Telos Fitness Center**

Question: “How can I inexpensively market my club online?”

Industry Leaders:
Brenda Abdilla
Sarah Kay Hoffman

The one thing you want to keep in mind is that the more “Google Power” you have, the more success you will find. “Google Power” simply puts your club to the top of a search in particular instances.

Here are just a few things I would recommend to get your “Google Power.”

1. Create a blog.
2. Join a social network.
3. Link to your website from your blog and social networking pages.

Email marketing can be very powerful as well as inexpensive.

The first thing to do is start the process of collecting email addresses at every possible opportunity. Offer free passes at local events in exchange for email addresses; collect them at member events and of course on your website.

Tread carefully when it comes to buying email lists etc. Because of SPAM laws you cannot simply send out an email to bunches of people

Marketing to your members will increase participation (retention) as well give you a chance to get more referrals and even create campaigns for prospective members.

Sarah Kay Hoffman, Marketing/Membership
ClubSport San Ramon

Brenda Abdilla, President
Management Momentum

Question: “How can I price a personal training business?”

Industry Leaders:
Ann Gilbert
Nicki Anderson

The net worth of your business is equal to the net revenue generated from personal training sessions during the previous year.

Many will negotiate a price using numbers that reflect the expected net for 1+ 1/2 years rather than the year's actual net, when business is as well established as yours, when the business has a branded program option attached, or when the business has a history of high renewal or resign.

Most believe that these figures can be seen as fictitious, though, and can often lead to concerns with breach of contract. Experts will recommend that a buyer sign an open-ended contract so it is best not to address estimated numbers during the sales process.

**Ann Gilbert, Reg. Dir. of P.T. & Operations
Shapes Total Fitness for Women**

You may want to rethink simply selling your business. If you have a great accountant or business lawyer, talk to them about the advantages of keeping your business and/or perhaps partnering with someone. If it's a thriving business, you could still bring in income as a silent partner.

**Nicki Anderson, President
Reality Fitness, Inc.**

Question: “How does personal training improve retention?”

Industry Leaders:
Laurie Cingle
Nicki Anderson

Retention is a consequence of usage. People who use the club consistently are more likely to stay a member. People who sign up for personal training and attend consistently are more likely to continue with training. Usage is the key.

From my own experience, I have found the following:

- People who invest in shorter-term one-on-one personal training packages (up to 3 months) have a 95% retention rate in the program.
- People who invest in longer-term one-on-one training packages (one year) have lower retention in the program.
- Higher pricing on training sessions sees higher retention than lower price sessions regardless of length of package.
- Clients who participate in group personal training see higher retention than one-on-one clients because of the member-to-member relationships that are built.

Laurie Cingle, MEd, President
Laurie Cingle Consulting and Coaching

...those that work with trainers typically work harder which translates to results. We know that results create a satisfied customer, which again, increases retention. Bottom line, solid personal training likely plays a role in retention.

**Nicki Anderson, President
Reality Fitness, Inc.**

Question: “How can my club get referrals from doctors?”

Industry Leaders:
Lloyd Gainsboro
Dr. Wendy Williamson

One of the ways we accomplish this goal is by having all of our fitness trainers have Bachelor of Science degrees in Exercise Physiology.

Additionally, we have a program, which fulfills all the necessary processes and procedures of the medical community. It is HIPPA compliant and bullet proof to any criticism.

It is it very clear that we are not a typical “gym”. Presently we have two people, one who is full time and the other part time, on the road daily, seeing physicians. We also have ads on radio and television stations coupled with continuous hard work, focus and dedication. The branding of our facility permits us to be the antithesis of a “gym”. You need to totally deliver your product. Ours is “Exercise is Medicine”.

Physicians often look to us for developing an exercise program. It is our job to provide suggestions. Have you offered a complimentary session to the doctors? We seek medical approval and additional information, but we also need to illustrate our assessment results and possible plan of action.

**Dr. Wendy Williamson,
Post Rehabilitation Specialist
Genesis Health Clubs-Rock Road**

**Lloyd Gainsboro, Dir. of Business Development
Dedham Health & Athletic Complex**

Question:

“If retention a member is cheaper than selling a membership, why do most clubs focus on sales?”

Industry Leaders:

Bill McBride

Geoff Dyer

The industry focuses on sales as a large number of members quit due to somewhat “uncontrollable” factors such as relocation, illness, injury, personal issues & financial hardship.

An analogy is saving money – retention is saving money and sales are future earning potential. While we all like to save, without future income, many of us would spend through our savings and become broke. Sales are the growth engine. As our industry is still not attracting the vast majority of the population, with many mature clubs battling to sell more than their losses each month, sales and attracting new market segments is crucial to success.

All clubs focus attention on sales, it is the lifeblood of our industry.

Member retention is AS IMPORTANT as new member sales but not all clubs track their retention or measure the activities that impact the retention of their members.

To acquire a new member there is a marketing expense and a sales expense or commission. Most of the time these two costs added together equal \$100 or more.

Geoff Dyer, Founder
Lifestyle Family Fitness

Bill McBride, Chief Operating Officer
Club One, Inc.

Check IHRSA.org/industryleader every Monday for more advice from industry experts.