

Course: Business Development & Entrepreneurship in Fitness

Session 1: IHRSA Profiles of Success: Business Fundamentals

Session Objectives

To Learn About:

1. The common business vocabulary and acronyms used in the Fitness Industry;
2. How to Define the Fitness Business Platform;
3. Why & How to Make Strategic & Tactical Financial Decisions;
4. Evaluating & Managing Individual Trainer Performance Goals & Objectives;
5. Stephen Covey's 8 Habits of Highly Effective People;

Fitness Industry at a Glance

Fitness Industry at a Glance

- IHRSA: Stands for “International Health, Racquet and Sportsclub Association.” It is a trade association serving the health and fitness club industry. IHRSA's mission is to **grow, protect and promote** the health and fitness industry, and to provide its members with benefits that will help them be more successful.

Fitness Industry at a Glance

■ IHRSA At a Glance

IHRSA members are **high-quality, for-profit** businesses operating in the health, racquet and sportsclub industry. It's members have set the pace for the industry's expansion and evolution.

- **Club Members:** 8,500 in over 74 countries
- **Associate Members:** 604 Industry Suppliers
- **Governance:** Guided by a Board of Directors elected from, and by, the membership.
- **Affiliations:** IHRSA has partnerships with 15 related international organizations, as well as several affiliated U.S. regional associations.

Fitness Industry at a Glance

- 2005 For-Profit Club Profile:
 - Club Type:
 - Multipurpose Clubs
 - Fitness-Only Clubs
 - Club Size Profiles:
 - Less Than 20,000 SF
 - 20,000 TO 34,999 SF
 - 35,000 TO 59,999 SF
 - 60,000 SF or More

Fitness Industry at a Glance

- 2005 For-Profit Club Profile:
 - Number of U. S. Clubs: 29,069 [1/1/06]
 - Club Memberships: 41.3 Million [U.S]
 - Health Club Attendance
[Avg. number of days Per Year]: 92 Days
 - Growth in Number of “Core” Members
[Members who used the Club 100+ days per year]: 17.6 Million [42.6% of total members]
 - U.S Health Club Revenues: \$15.9 Billion

Fitness Industry at a Glance

- 2005 For-Profit Club Profile:
 - Club Membership by Commercial & Not-for-Profit Market Share:
 - Commercial = 50%
 - Not-For Profit = 38%
 - Miscellaneous Commercial = 12%
 - Club membership by Gender:
 - Women = 57% [23.5 Million]
 - Men = 43% [17.8 Million]

Fitness Industry at a Glance

- 2005 For-Profit Club Profile:

- Club Membership By Age:

Under 18 = 12%

18 – 34 = 19%

35 – 54 = 36%

55 + = 33%

- Club membership Household Income:

Less than \$25,000 = 2% +/- of Total

\$25,000 - \$49,000 = 18% +/- of Total

\$50,000 - \$74,999 = 30% +/- of Total

\$75,000 + = 50% +/- of Total

Fitness Industry at a Glance

- 2005 For-Profit Club Profile:
 - Club Membership By Region:

West	= 25% of Total
South	= 33% of Total
North Central	= 22% of Total
Northeast	= 20% of Total
 - Club Membership by State: Top 5
 - Colorado
 - Utah
 - Massachusetts
 - Arizona
 - Delaware

Fitness Industry at a Glance

- 2005 For-Profit Club Profile:
 - Club Membership by City: Top 5
 - Denver
 - Columbus
 - San Diego
 - Miami
 - Indianapolis
 - Club Attrition Rate = 26.9%
[Equivalent to 11.0 Million Lost Members]

Common Club Business Vocabulary & Acronyms

Common Club Business Vocabulary & Acronyms

1. Total Revenues:

Refers to all Club income that is generated by the Club:

- Membership dues-related income,
- Personal Training,
- Sports Lessons [Tennis, Aqua, etc]
- Pro-Shop,
- Spa Services,
- Food & Beverage, &
- All other ancillary services.

Common Club Business Vocabulary & Acronyms

2. EBITDA as % of Revenue:

Earnings Before Interest, Taxes, Depreciation and Amortization.

An approximate measure of a company's operating cash flow based on data from the company's income statement.

Common Club Business Vocabulary & Acronyms

2. EBITDA as % of Revenue (con't):

Calculated by looking at earnings before the deduction of interest expenses, taxes, depreciation, and amortization. This earnings measure is of particular interest in cases where companies have large amounts of fixed assets which are subject to heavy depreciation charges (such as manufacturing companies) or in the case where a company has a large amount of acquired intangible assets on its books and is thus subject to large amortization charges (such as a company that has purchased a brand or a company that has recently made a large acquisition). Sometimes also called operational cash flow.

Common Club Business Vocabulary & Acronyms

2. EBITDA as % of Revenue (con't):

PLEASE NOTE:

The more revenue that comes from non-dues revenue sources, the stronger the EBITDA percentage. This occurs because the revenue that is spent per member has increased.

Common Club Business Vocabulary & Acronyms

3. Revenue Growth:

This category is a reflection of growth in the following areas of the Club:

- Membership Growth
- Higher Membership Retention Rate
- Increase in Membership Referrals
- Increase in Group Exercise Studio Occupancy Rate
- Fee Based Programming Growth
- Spa Services Growth

Common Club Business Vocabulary & Acronyms

4. Total Payroll as % of Revenue:

This Financial Benchmark represents the cost of payroll for all Club Departments as a percentage of total revenue. The lower the percentage, the higher the EBITDA percentage. The higher the EBITDA percentage, the more financially viable is a Club's financial performance.

Common Club Business Vocabulary & Acronyms

5a. Membership Retention Rate:

The quantity of members that the Club has retained over a specific period of time.

Membership attrition [i.e. dropout rate] is measured on an annual basis. Since memberships are added and dropped each month, the attrition formula is best calculated using the average opening monthly membership for a rolling twelve-month period.

Common Club Business Vocabulary & Acronyms

- 5b. The definitions of the calculation factors are as follows:
 - Memberships at the beginning of the period (membership accounts)
 - Add New Memberships
 - Add Reinstated memberships that had dropped in previous periods
 - Deduct Dropped memberships
 - Equals Memberships at the end of the period.

Common Club Business Vocabulary & Acronyms

- **5c. Membership Attrition Formula:**

Membership Attrition = (Aggregate Dropped Memberships for 12 Months) / (12-Month Average Beginning Memberships).

Common Club Business Vocabulary & Acronyms

6. Revenue per Individual Member:

Equates to the amount of money spent by each member for goods & services that are provided by the Club. The more money the members spend at the Club, the higher the retention rate because the members are having a “positive” experience at the Club. Membership referrals also tend to increase as more members spend more money for products and services beyond membership dues.

Common Club Business Vocabulary & Acronyms

7. Indoor Square Foot per individual Member:

The amount of Club square footage that is allocated for individual member usage.

Common Club Business Vocabulary & Acronyms

8. Revenue per Indoor Square Foot:

The amount of revenue that is spent per Club Member as a factor of square footage. The more that a member spends, the higher the revenue per square footage.

Common Club Business Vocabulary & Acronyms

9. Non-Dues Revenue as % of Revenue:

The amount of total revenue that comes from non membership sources. For example:

- Personal Training
- Sports Lessons [Tennis, Aqua, etc]
- Pro-Shop
- Spa Services
- Food & Beverage, &
- All other ancillary services.

The financial objective is to increase this financial benchmark each fiscal year.

Fitness Department Business Vocabulary & Acronyms

1. Personal Training Service Sales:

These are all personal training service sales on a monthly basis. These are made up of all service renewals and first time buyers. These are services sold but not yet serviced or delivered.

The Program's objective is to keep the percentage of new business higher than the renewals.

Fitness Department Business Vocabulary & Acronyms

2. Personal Training Service Redemptions:

These are personal training services that have been delivered/serviced by the Club's Personal Trainers.

Fitness Department Business Vocabulary & Acronyms

3. Gross Number of Personal Trainers:

This is the total number of Personal Trainers who have been hired by the Club. Included in this category are the following:

- New, non-productive Trainers
- Part-Time [i.e. partially productive Trainers]
- Half-Time [i.e. half productive Trainers]
- Full-Time/Fully Productive Trainers.

Fitness Department Business Vocabulary & Acronyms

4. Net Number of Personal Trainers:

This Group of Trainers consist of the following:

- Part-Time [i.e. partially productive Trainers]
- Half-Time [i.e. half productive Trainers]
- Full-Time/Fully Productive Trainers.

The intent & objective is to manage all Trainers into a full time capacity. However, the 90 to 120 day process will be a drag on the Program.

Fitness Department Business Vocabulary & Acronyms

5. Average Number of Sessions Per Week Per Trainer:

This productivity benchmark is usually established when the Personal Training Program is developed. This benchmark is tied to service productivity. This means the number of training sessions that are delivered or serviced per week by each Trainer. The weekly productivity expectation is between 25 & 30 paid sessions per week.

Fitness Department Business Vocabulary & Acronyms

6. Gross Number of Training Sessions Per Month:

This benchmark is the sum total of personal training sessions that have been delivered, redeemed &/or serviced during the course of a month.

Fitness Department Business Vocabulary & Acronyms

7. Average Price Per Personal Training Session:

This price refers to the average price that the Club Member pays for personal training services. One of financial performance benchmarks to increase the average price per session on an on-going basis as a reflection of the value of the personal training services.

Fitness Department Business Vocabulary & Acronyms

8. Gross Personal Training Monthly Income:

This financial performance benchmark is computed by extrapolating the total number of training sessions delivered by the Trainers times the average price per training session. As the volume of sessions increases & as the average price per session increases, the Gross Monthly Income increases.

Fitness Department Business Vocabulary & Acronyms

9. Average Personal Trainer Payout [Commission = Net Income #1]:

This is the average amount of money the Trainer receives for each session delivered. The aggregate of all the sessions delivered and the money paid to the Trainers is called Trainer salaries [aka commissions]. After this is paid, Net Income #1 is left.

Fitness Department Business Vocabulary & Acronyms

10. Average Personal Training Program Net
Income #2.

This occurs after Trainer Commissions & Non-Capital Equipment Expenses have been deducted from Training Fees.

Fitness Department Business Vocabulary & Acronyms

11. Average Personal Training Program Net
Income #3.

This occurs after Trainer Commissions, Non-Capital Equipment Expenses & Benefits have been deducted from the Training Fees.

Fitness Department Business Vocabulary & Acronyms

12. Average Personal Training Program Net Income #4.

This occurs after Trainer Commissions, Non-Capital Equipment Expenses, Benefits & Non-Management Bonuses have been deducted from the Training fees.

Fitness Department Business Vocabulary & Acronyms

13. Average Personal Training Program Net
Income #5.

This occurs after Trainer Commissions, Non-Capital Equipment Expenses, Benefits, Non-Management & Management Bonuses have been deducted from the Training fees.

Fitness Department Business Vocabulary & Acronyms

14. Average Personal Training Program Net
Income #6.

This occurs after Trainer Commissions, Non-Capital Equipment Expenses, Benefits, Non-Management & Management Bonuses and Management Salary expenses have been deducted from the Training fees.

Fitness Department Business Vocabulary & Acronyms

15. New Personal Training Monthly Sales Income Ratio:

- a. The Sales Income Ratio is a Club Financial Performance Benchmark that manages the percentage of the Club's membership base that purchases personal training services. The ultimate objective is to increase the percentage of Club Members who are paying for Personal Training Services.

Fitness Department Business Vocabulary & Acronyms

15. New Personal Training Monthly Sales Income Ratio:

b. If the percentage of monthly personal training sales has a higher percentage of new members purchasing personal training than the percentage of renewal business, then the percentage of members involved in personal training increases.

Fitness Department Business Vocabulary & Acronyms

16. Membership Penetration Rate for Personal Training Services:

The penetration rate, as a Financial benchmark, refers to the percentage of Club Members who participate in the Club's Personal Training Program.

The Fitness Business Platform

The Fitness Business Platform

Fitness Department Mission Statement

A Mission Statement is developed to support the positioning &/or repositioning of the Club's Fitness Department & its Personal Training Program as Strategic Business Units within the organization. However, please note that the focus is the member and not just the Client.

The Fitness Business Platform

Sample Fitness Department Mission Statement

**Our mission
is to provide each Club member with
personalized attention,
professional instruction
and
multi-dimensional
programming options
that will significantly contribute to
each member's fitness, health and wellness goals!**

The Fitness Business Platform

The Personal Training Program must not be established as a “stand-alone” Program but rather as a Strategic Business Unit [SBU]. If is positioned correctly, it will have the following positive impact on a Club’s organization:

1. The SBU can stimulate/increase member recruitment programs;
2. The SBU can reduce the member attrition rate;
3. The SBU can reinforce & expand an organization’s customer service program;
4. The SBU can increase the members’ Perception of Value vis-à-vis the organization;

The Fitness Business Platform

5. A viable SBU can cost effectively expand/stimulate the organization's fitness, health & wellness programming options for the members;
6. The SBU can also reposition and highlight the new/expanded role of the organization's fitness professionals [both Group Exercise Instructors & Personal Trainers];
7. The SBU can expand services-for-a-fee programming options that the organization can offer; which can
8. Increase the organization's gross and net income so that a positive EBITDA contribution is realized.

The Fitness Business Platform

Once The Fitness Business Platform has been defined, it must be packaged and marketed.....

The Fitness Business Platform

1. Establish Program Identity;
 - Program Name
 - Identify a Program Director/Manager
 - Recruit &/or Train a high profile, experienced staff
 - Establish a quantifiable way to measure program results for both the members, clients and the staff;
2. Develop an Internal Educational Program for the organization's staff;

The Fitness Business Platform

3. Develop & Launch an Internal Marketing Plan;
 - Club Newsletter
 - Recognize/Publicize member & client results
 - Recognize staff achievements
 - Advertise the personal trainers skills & capabilities

4. Develop an Externally Focused, Non-Member Outreach Program;
 - Develop a Staff Speakers' Bureau
 - Develop a "High-Profile" Member or Client Testimonial Program.

The Fitness Business Platform

5. Develop an Aggressive Pricing Strategy that is driven by Market Conditions & Dynamics and the Club's brand positioning; and
6. Develop an aggressive customer service program that is supported by the Club's Personal Training Program & the positioning value of the Club's brand.

The Concept of Strategic & Tactical Financial Decisions

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- Strategic Financial Decisions are those decisions that are made by the Club Owners, Investors & Senior Managers. These have normally been incorporated into the Club's Business, Marketing, Sales & Financial Plans.
- The Tactical Financial Decisions are made to implement the Strategic Financial Decisions. These are the day-to-day nuts & bolts of running the business. These decisions are reflected in the Club's departmental Operation Plans.

The Concept of Strategic & Tactical Financial Decisions

- As a new Fitness Manager, you will (1) have no say or have input into either the Strategic or the Tactical Financial Decisions. Your primary role will be to implement & manage-up the operational processes that support those decisions.
- As an experience Fitness Manager with a proven track record, your input & feedback will be critical in developing both the Strategic & Tactical Financial decisions.

Evaluating & Managing Individual Trainer Performance Goals

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Before a Fitness Manager can evaluate and manage individual Trainer Performance goals & expectations, they must be clearly defined, put in writing and reviewed with each Trainer. Once the review has occurred, the Trainer sign an acknowledgement that he/she fully understands each expectation.

The basic 20 Performance Expectations include the following:

Evaluating & Managing Individual Trainer Performance Goals

- The Performance Goals & Expectations: .
 1. be a customer relationship management specialist & support the club's customer service program;
 2. possess relationship building skill sets
 3. be an entrepreneur;
 4. be able to understand how to manage a business within a business;
 5. be able to “investment spend” in order to build up their clientele;

Evaluating & Managing Individual Trainer Performance Goals

- The Performance Goals & Expectations:
 6. be held accountable for the success and/or failure of their business;
 7. be provided with clear-cut and obtainable performance objectives;
 8. be responsible to micromanage every aspect of their clients objectives & goals;
 9. be able to work with each operational department at the Club;
 10. be able to refer Club members to various Club departments & programs, as appropriate;

Evaluating & Managing Individual Trainer Performance Goals

- The Performance Goals & Expectations:
 11. be able to manage/lead people-club members;
 12. be able to manage/lead people-personal training clients;
 13. be able to manage time, resources & projects;
 14. be able to take the initiative beyond the job description;
 15. be able to display professional ethics;

Evaluating & Managing Individual Trainer Performance Goals

■ The Performance Goals & Expectations:

16. be able to manage change;

17. be able to handle/manage emotions;

18. be able to show compassion/empathy;

19. have a comprehensive knowledge of functional anatomy, exercise physiology & kinesiology; and

20. be able to achieve their productivity objectives.

The Evaluation Process

The Evaluation Process

- The 6 Rules of the Trainer Evaluation Process:
 1. Trainers must be given their expectations in writing before they start their job;
 2. The Manager must have a written template to use as a formal feedback/coaching/managing reference tool;

The Evaluation Process

- The 6 Rules of the Trainer Evaluation Process:
 3. The Evaluation process must include a Corrective Action Procedure, with specific steps, for those individuals who need additional assistance in meeting their individual goals & objectives;
 4. The Evaluation must be timely. If the Trainer has monthly goals & objectives, they must be evaluated before the end of the performance period [i.e. before the end of the month]. I conduct my reviews every Monday morning by utilizing a “month-to-date” actual with an “end-of-month” projection.

The Evaluation Process

- The 6 Rules of the Trainer Evaluation Process:
 5. Managers should be prepared to utilize the services of a senior Trainer to work as a Mentor for Trainers who need assistance;
 6. If all else fails, the Evaluation Process will serve as the basis to terminate the Trainer. Are we prepared to “fire” an employee?

Stephen Covey's 8 Habits of Highly Effective People

Stephen Covey's 8 Habits of Highly Effective People

■ Habit #1: Be Proactive

This is the ability to control one's environment, rather than have it control you, as is so often the case. Self determination, choice, and the power to decide response to stimulus, conditions and circumstances

Stephen Covey's 8 Habits of Highly Effective People

■ Habit #2: Begin With The End in Mind

Covey calls this the habit of personal leadership - leading oneself that is, towards what you consider your aims. By developing the habit of concentrating on relevant activities you will build a platform to avoid distractions and become more productive and successful.

Stephen Covey's 8 Habits of Highly Effective People

■ Habit #3: Put First Things First

Covey calls this the habit of personal management. This is about organizing and implementing activities in line with the aims established in habit 2. Covey says that habit 2 is the first, or mental creation; habit 3 is the second, or physical creation.

Stephen Covey's 8 Habits of Highly Effective People

■ Habit #4: Think Win-Win

Covey calls this the habit of interpersonal leadership, necessary because achievements are largely dependent on co-operative efforts with others. He says that win-win is based on the assumption that there is plenty for everyone, and that success follows a co-operative approach more naturally than the confrontation of win-or-lose.

Stephen Covey's 8 Habits of Highly Effective People

■ Habit #5: Seek First to Understand and Then to be Understood.

One of the great maxims of the modern age. This is Covey's habit of communication, and it's extremely powerful. Covey helps to explain this in his simple analogy 'diagnose before you prescribe'. Simple and effective, and essential for developing and maintaining positive relationships in all aspects of life.

Stephen Covey's 8 Habits of Highly Effective People

■ Habit #6: Synergize

Covey says this is the habit of creative co-operation - the principle that the whole is greater than the sum of its parts, which implicitly lays down the challenge to see the good and potential in the other person's contribution.

Stephen Covey's 8 Habits of Highly Effective People

■ Habit #7: Sharpen the Saw

This is the habit of self renewal, says Covey, and it necessarily surrounds all the other habits, enabling and encouraging them to happen and grow. Covey interprets the self into four parts: the spiritual, mental, physical and the social/emotional, which all need feeding and developing.

Stephen Covey's 8 Habits of Highly Effective People

■ Habit #8: Find your voice and inspire others to find theirs.

To find our voice, we need to find out what we are good at, what we love doing, what we should be doing, and what represents our unique significance and serves a purpose. It's the work that we are meant to do, given our talents, interests, and callings.

“People who have found their voice require no management,” says Covey.

Thank You!