

“NOT-FOR-PROFIT FITNESS

First off, a belated Happy New Year to all of you...and may 2010 be a great year for you both business-wise and personally! Hopefully, this edition's column will give you some input on how to achieve that success which has eluded a lot of NFP fitness operations for the past couple of years.

Granted, for a great deal of the NFP world, 2008 and 2009 were less-than-stellar years. As I continued to follow the reports from my quarterly Club Management Education & Training Online Fitness Facility Results Surveys, it became apparent to me that the vast majority of not-for-profits were suffering from the economic recession, as measured by slowdowns in new membership sales, increases in member attrition and decreases in ancillary revenue production.

I will not dwell on the downsides of 2009's results for NFP fitness. However, I think it useful to mention a few things. My CMETO 2009 Fitness Facilities Survey Report corroborated consistencies that followed suit from the First Quarter, Half-Year and Third-Quarter Surveys that are worth noting.

- **MEMBERSHIP SALES:** NFPs in general have reported significantly lower percentages of increases in membership sales (where they did occur) than their for-profit counterparts. NFPs have also reported much greater percentages of actual decreases in membership sales than their peers in the for-profit sector.
- **MEMBER ATTRITION:** NFPs consistently reported slightly higher increases in member attrition than for-profits.
- **NET PROFIT and/or BREAKEVEN/UNPROFITABLE OPERATIONS:** Throughout the year, NFPs reported astoundingly higher percentages of money-losing fitness operations than did for-profits.
- **OPERATING EXPENSE REDUCTION:** NFPs in general have trailed for-profits in their abilities to reduce operating expenses.

With that said, there were a half-dozen examples of outstanding fitness management performance in the NFP sector. While all who were contacted chose to remain anonymous, all agreed to report where their successes lie, in hopes of helping others to enhance business achievements in 2010.

Of those interviewed, none had worse than a “greater than 10% but less than 15%” operating margin in fitness. A couple had 20%+ margins. In general, the following are how they realized their results.

- **MEMBERSHIP SALES:** All achieved increases in membership sales, none by less than 5%.
- **MEMBER ATTRITION:** All but one decreased membership attrition by an average of 5%.
- **NET PROFIT MARGIN:** All but one managed an increase in net profit margin from a profitable 2008; one reported the same profitable margin as 2008.
- **ANCILLARY SALES:** Over half reported greater than 15% of revenues from ancillary sales (sales other than “pure membership income”). A couple reported ancillary sales north of 20%. Half reported increases in ancillary sales versus 2008; the other half reported slight-to-moderate decreases in ancillary sales.
- **OPERATING EXPENSE REDUCTION:** Two-thirds reported decreases in operating expenses of 10% or more for the year; one reported greater than 5% but less than 10% decrease; and one reported greater than 1% but less than 5% decrease.

One Executive Director offered particularly cogent remarks. “We negotiated hard to obtain more favorable terms on loans and utilities contracts. We also added energy-efficient fixtures across our club. We continued our commitment to invest in facility updates, we added customer-centric programming which increased program income, and we worked hard on word-of-mouth referrals for new memberships. We got personal-trainer-buy-in to contact low-use members monthly and to



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offer every-other-week 15-minute meetings with interested members. This increased both our retention and our personal training sales. And we continually evaluate staff costs and productivity.”

Clearly, the four (4) keys to greater business success for your NFP fitness operation are:

- Up-skill your membership sales personnel and manage for membership sales increases in 2010. Train fitness personnel and program sales people to produce increases in ancillary sales.
- Give sincere management attention to objective

membership retention.

- Concentrate on a team effort to operate fitness as a profitable business, not an amenity.
- Believe that you can reduce operating expenses without damaging member-service capabilities, and develop a plan to accomplish those goals. **OSF**

In hopes that the above helps you - until next time...MICHAEL

(Michael's CMETO 2009 Fitness Facilities Survey Report - a 22-page document - is available in PDF or Word upload-only format for a nominal contribution by contacting him at michaelscottscudder@yahoo.com. Michael's office phone is 575-519-1104, and he can be "Skyped" at michael.scott.scudder.com.)

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