



Understanding the “Simple Terms” of Revenue Management

by Carole Oat

Being in clubs all the time, talking with owners and general managers, it's quite often that the discussion leads to questions when the subject comes to revenue tracking and receivables. It's amazing how infrequently a club is aware of its outstanding balances, deferred revenue, held deposits, or even gross/net billing per month.

Maybe it's due to time constraints or lack of a financial person, but more often than not, it's poor knowledge of accounting lingo. Owners or operators should have a grip on the basics and make sure they understand the numbers pertaining to the club business. Here are some basic revenue concepts and management formats for proper tracking of your money:

Step one: Software.

Make sure your computer software program is designed to give your club a method to enter receipts and track members' purchases and amounts that are owed. If the software is used as designed, clubs can derive important financial information about their facility. Most software is not designed to be an accounting program, but to record source information to be posted into a separate software that produces financial statements. Check out your current software's interface options.

Step two: Accrual Basis Accounting.

“Accrual Basis Accounting” means that revenue is recognized when the service is rendered, whether paid for or not. The goal is to match revenues to the expenses required to render the service. For example, with the sale of a package of 10 personal training sessions, one-tenth of the revenue will be recognized as each session is redeemed or used. This would match to the payroll expense paid to the staff member for training the club member. The unused sessions are considered a

liability (owed) until redeemed. This would show as outstanding revenue (a customer prepayment or deposit on future services).

Step three: Global Principles and Terminology.

“Debit” is a charge against a member; it is an amount they owe the club. This amount increases a member's balance. “Credit” is a payment by a member to the club. This amount decreases a member's balance. When a member buys and pays for something at the same time, it creates both a debit and a credit to their account.

“Balance” is the amount that is still owed to the club. A positive value indicates that the member owes the club. A negative value indicates that the club owes the member. Sometimes called a “Credit Balance.”

“Posting” is a way of permanently recording a transaction. All transactions that are created can be posted. Regardless of where a transaction originates from, the same action is taken on that transaction. All posting is done in a batch mode. The update to revenues and member accounts does not occur until a posting procedure occurs. This allows for verification and editing before permanent entry by posting. Be leery of any program that posts automatically, this does allow for corrections to be made. Also, be leery of any program that allows deleting transactions from a member's record. This is unsafe and allows for easy employee manipulation of money transactions.

Step four: Point of Sale (POS).

The majority of club transactions come from this function. The POS system should operate like a cash register, allowing recording of sales either to a member record or to a generic cash sale member in the system. Get in the habit of ringing memberships, packages, or gift

items to specific member screens to keep the record of those transactions. Process any refunds, paid outs, or house charges directly from this point as well.

Step five: Back-Office Functionality.

Verify that EFT returns are being entered and member balances are being adjusted. Review a billing journal, look for breakdown by member type and verify that someone is matching up the numbers to the sales results (i.e. if you sold 100 new members in January, and 30 cancelled, did the dues line grow by a net gain of 70?).

Review your accounts receivable list, and identify outstanding balances. Efficient club management software will generate this information for you. This is information you need to know. Discussing how to deal with those balances will be the topic of my next article.

A sales analysis report should summarize the total revenue posted. This is a support document for postings that occur through POS. The sales analysis reports: week-to-date, month-to-date, and year-to-date, units sold, and total revenue.

Start simple by printing out a report of all daily transactions and the sales analysis every day. This is not a “cash out” report matched up with receipts. Get real details, such as: how much inventory changed; average sales; number sold; payment on accounts, and deferred revenue. Information like this is endless. If you're not doing this already, you should really get started.

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