Real club strategies to boost your bottom line

>> BY CAROLE OAT

Billing — Software — Receivables Management. These are the "Big 3" when it comes to generating revenue in the Club Business. Have you recently looked at how you are managing these three issues? Did you realize that money can be saved/earned by doing business differently? At Twin Oaks, we not only help you run your business; we help you run it more proitably. Here are some suggestions for strengthening your bottom line.

BILLING

Monthly Dues Members

The most successful health clubs get 70% or more of their members on monthly billing because, in most markets, you will make 20-30% more money per member for no more effort, providing that your EFT processor is reliable.

Having a steady, predictable monthly cash inflow will:
1) help ensure that you are covering monthly recurring expenses,
2) grow the value of the business, and
3) provide you with a track record of income.
This is important to show banks for resale value or for new capital financing.

On average, a member on monthly billing will remain a member for 18-24 months compared to paid-in-full members who only renew each year at a rate of just 40%!

Accepting Checks/ACH or Debit/Credit Cards

A key decision that many clubs are facing right now is: Should we accept all forms of payment or only the most profitable ones? More and more members are paying with plastic and that response is costing club owners a bigger piece of the profits.

Credit card usage has grown in leaps and bounds over the last decade and debit cards will soon eclipse that. Today, the monthly billing ratio for most health clubs is 65% debit/credit card, 35% ACH transactions. Much of this stems from the convenience of carrying a card versus a check, but also from the prevalence of card reward programs and the ability of the user to easily dispute charges.

We can't stress enough that your billing vendor must be payment card industry (PCI or CISP) compliant. This tells you, and your members, that they have structured their data storage and processing functions to safeguard all members account information.

All in all, EFT transactions have made the club business more efficient for club operators and it is difficult in today's market to not try and meet the wish of every customer. The cost ofincreased credit card usage may simply be the cost of doing business these days. But don't forget: individuals areless likely to change checking accounts than they are credit

The bottom line—you need the freedom to work on your business as well as in it.

Strong, well-developed revenue generators can provide financial stability and profitability needed to achieve that freedom.

cards, and bank accounts don't expire — saving your staff time and effort tracking down members to get updated credit card information. Either way: get members on recurring monthly dues via electronic billing — they will stay with you a lot longer!

CLUB-MANAGEMENT SOFTWARE

Projecting cash flow and making sure that the dues line is growing are critical functions of managing your business. Using club management software to input data, track statistics and manage monthly billing helps club owners regularly forecast billing from one month to the next.

Many owners run reports and view easy-to-generate stats daily to see that the new members who are sold make it onto the monthly billing and likewise, those that cancel are withdrawn. Get to know the capabilities of your software and use it to show you easily and exactly how many monthly-billing and paid-in-full members, cancels, expires, average dues, tenure, attrition, etc. you have. This information needs to be easy and quick to attain. Don't let money slip through your hands because your software isn't charging your members every month and on time!

Ultimately, your club-management software must get the whole job done. It should be cost-effective, simple-to-use and fully integrates all of the functions you perform. Using one vendor to provide all of the software, hardware and billing services, along with the follow-up work on delinquent accounts, allows club operators to relax, knowing that when, and if, a technology problem arises they only need to call one vendor to solve the issue.

RECEIVABLES MANAGEMENT

As much as clubs would like to outsource follow-up on returned accounts entirely, some members will only deal with club staff — someone they can speak with face to face. Immediate follow-up should happen on a return: send a letter out to the member within 24 to 48 hours with phone calls to recover the unpaid dues and capture new billinginformation. Members who are dealt with properly will respond positively and provide the revised information when asked. Creating methods for members to respond via the Internet, mail, phone or in person allows for the

highest possible capture rate.

Sometimes this work is too time consuming or outside of the comfort level of a club. Check with your billing provider to see if they can help you manage delinquent accounts. This service should be optional and free. You should never pay activator fees or per-account fees. The service provider would keep the service fee that's billed to the member and your club would get 100% of its dues. If the account is never collected upon, the club has paid nothing. This keeps the pressure on the service provider to do their job and recover the potentially lost revenue.

Remember: it is very important that any service fees charged to members be stated in the membership contract.

Using outside help to manage receivables allows club staff to have greater focus on doing the things needed to continue growing the business, spend more time with members and less time with computers.

ADDITIONAL WAYS TO INCREASE YOUR BOTTOM LINE

Internal House Accounts
These allow members to keep "cash on hand" — great for facilities with juice bars, pro shops or that sell services. With a house account, members don't have to have cash in their pockets if they want to get a water, shake or nutrition bar, they can just take it off what they've already paid in and the information is stored in the software, or the revenue can be captured later via EFT. The point-of-sale system should easily track all purchases and apply them appropriately. On-account payments can be made anytime and/or additional deposits made. There are pros and cons for either method, but the bottom line is members will spend more money if it's easy.

Member Referral Benefit Programs
Create retention programs so that members really feel the savings. Offer, for example, $5 off a member's monthly fee for each

TYPICAL COSTS FOR STANDARD PAYMENT TYPES

>> **CREDIT CARDS**: fees range from 2-3% along with an associated transaction fee, monthly statement fee, and potential other costs including those for voice authorizations and chargebacks.

>> **DEBIT CARDS:** a slightly lower cost to merchants than a credit card, typically .25%.

>> **ACH TRANSACTIONS** (charging a checking or bank account): there is little or no cost associated with each transaction and no percentage charge at all.

Don't forget: Individuals are less likely to change checking accounts than they are credit cards, and bank accounts don't expire—saving your staff time and effort tracking down members to get updated credit card information.

prospect they refer who joins and remains a member. The benefit stays in effect as long as both people keep their membership account in good standing.

Your club-management software should allow tracking of all referrals and automatically calculate the EFT adjustment to dues. If the referred member leaves, the software will recognize that and adjust accordingly. It may seem risky, but the reward is an increase in a member's length of stay, since they have more people they know at the club, and your monthly revenue increases. Monthly mailers to new members with enclosed guest passes that are easy to distribute are great marketing pieces and will increase prospect traffic flow.

Employee Time Clock

If you're still using time cards or a paper in/out schedule, you can stop wasting payroll dollars on someone adding up time cards and perhaps making errors. Take advantage of the feature in your software that lets you assign a scan card to each employee to clock in/out with increasing accuracy.

Point-of-Sale "Must Haves"

1. Ability to sell and redeem gift cards. No more old-fashioned paper system; need to be with the times and keep all that information electronically.
2. Ability to track sold and redeemed service packages for personal training, tanning, childcare, anything for which you might be selling punch cards.
3. A tie-in to inventory management — with reports to analyze cost of goods sold and profit margins.
4. Report generation for top spenders and key item sellers. And then being able to communicate via mailers or email to members for additional marketing.
5. The ability to take multiple forms of payment safely and securely, and manage tips and tabs in food areas.

By properly tracking all income and services, managing the revenue can generate other data output such as trainer commission

reports, outstanding balances, available sessions, credit availability and deferred revenue (liability) on the prepaid members.

Annual Maintenance Fee

Consider charging an annual fee to members and collecting electronically via EFT either together or separately from their monthly dues. A common amount is $20 to $50 depending on the club, average dues, the demographics or if there's a defined purpose for the additional revenue such as improvements, repairs or buying new equipment. Charge it the same month every year, and make it applicable to all members, monthly payers or prepaids.

Web Joins

All clubs need a Web site, even if it's a very basic, simple one. Sites with the ability to book court time, lessons, appointments or trainer appointments on-line are in demand. Minimally, include a virtual tour, your clear and simple pricing plan and the option to join on-line

— people will do it, you'd be amazed. It's a form of marketing that can't be ignored in today's marketplace.

The bottom line — you need the freedom to work ON your business as well as IN it. Strong, well-developed revenue generators can provide financial stability and the profitability needed to achieve that freedom. Evaluating club-management software and billing providers requires taking the time to do all the proper research, checking referrals, comparing affordability, features and benefits. Do the necessary work to find one that will be easy for club staff to use and allow you to relax knowing you are in good hands.

Twin Oaks Software has been in business for 16 years and is owned and operated by former club operators. We have put together an ingenious design focusing on service, and providing superb software and billing services to club owners of all-sized facilities. Our desktop and Internet software products take tedious — yet crucial — administrative chores and make them quick, efficient and accurate. And we back it all up with a friendly, experienced technical support team. It's no wonder we boast an industry-leading 98% client-retention rate. Twin Oaks is a strong, healthy and growing company providing tomorrow's solutions today.

See for yourself what Twin Oaks can do for you. Call us today toll-free at 1-866-278-6750. You can try our software for FREE for 30 days. Or get a FREE detailed cost analysis. Or get references from clubs like yours that are using our solution. Or get all three, if you'd like. We'll do whatever is easiest for you!

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