Revenue Generators

by Carole Oat

Begin with the big thing, managing the dues line. The most successful clubs put 70% or more of their members on monthly billing because, in most markets, and providing that your EFT processor is reliable, you will make 20- 30% more per member for no more effort. Doing this ensures your monthly recurring revenue to cover expenses, grows the value of the business, and provides you with a track record of income. This is important to show banks for resale value or for new capital financing. It's also been proven that only about 40% of paid-in-full members actually renew each year.

Use your software to regularly forecast your next month's billing so you can predict your cash flow. This is a simple and easy procedure to perform; only taking seconds to do. Many owners do it daily as they put new members on billing and remove others who cancel. Get to know the capabilities of your program and use it to run reports such as a "Quick Data Profile" showing you exactly how many monthly-billing members you have; the number of prepaid members, short-terms, promos, cancelled and expired members, as well as average dues, tenure, and attrition. It should also show daily, how many people are "outstanding," meaning they're in your system but their information is incomplete. These reports are critical for proper budgeting and planning. You can't predict where you're going if you don't know where you stand.

Next, use your program to give members "Internal Prepaid Accounts." This method of revenue generation is the opposite of "House Charge Accounts" that allow members to charge items and services all month with revenue captured via your EFT billing file. With a "House Prepaid Account," members don't have to always have cash in their pocket if they want to get a water or shake from the juice bar. Your point-of-sale software should allow a member to make a "payment on account" and then be able to "charge" against it. This allows the club to hold the deposit and not have to wait to get the revenue. Members will spend more when they have either method available. It's risk/reward and promotes spending.

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Consider adding to your retention program a "Member Referral Benefit" that members will feel right in the wallet. Offer $5-off the monthly fee for each member 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 computer software should allow you to track all referred members and the adjustments to revenue. If a referred member leaves, the program should automatically adjust the original member's dues accordingly and vice-versa. It'll seem risky, but the reward is an increase in member's length of stay, thus your monthly revenue increases because people stay members longer.

A retention and revenue tool is recognizing high- and low-users. Send postcards or emails to show members that they are important to you. High-users may then spend money on visits to the club and low-users will feel missed and you may be able to keep them longer versus seeing them dropout and loss of revenue.

A common item that is available in most software programs, but often under-utilized, is an "Employee Time Clock." (If you're still on the old method of a punch in/out manual system, then you're wasting payroll dollars on someone who has to add-up timecards each week and you also run the risk of error.) Take advantage of your system's point-of-sale abilities to sell and redeem gift certificates and perhaps gift cards. Also, use point-of-sale for selling and redeeming personal training sessions, tanning, childcare…anything for which you may be using punch cards. By properly tracking all services, you are properly managing revenue and you can easily see information like trainer commission reports, outstanding balances, available sessions, credit availability, and deferred revenue (liability) on those prepaid members.

Lastly, consider charging an annual maintenance fee to your members and bill it electronically either along with the dues or separately in addition to the dues billing. A common amount is $10, $15 or $20 billed once a year – in January or June for example. These additional funds could be used for capital improvements, club repairs, or buying some new equipment. Depending on the size of your club's membership base, this could be significant additional revenue. Logistically, make sure it's in writing on your membership agreement. If not, you'll want to start in January 2006 for all new members and grandfather-in all existing members.

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