

Operations

BY STEPHEN THARRETT, M.S.,
AND JAMES A. PETERSON, PH.D.

Memberships: It's All About the Numbers

Get out your calculators to determine how many memberships your fitness center needs to sell.

TO MANY individuals in the fitness industry, the word “sales” elicits negative perceptions. In reality, however, sales essentially involves nothing more than providing a worthwhile product, for which a market exists — a needed service or an exceptional experience that fulfills a prospect’s wishes. Here is an overview of the sales process.

The mathematics of memberships

A thriving membership is at the heart of every successful fitness center. The challenge of sales is to make sure that the facility’s membership level continues to grow, thus ensuring the overall profitability and vitality of the club. According to the International Health, Racquet and Sportsclub Association’s (IHRSA) 2004 *Profiles of Success*, member fitness centers had a net membership growth in 2004 ranging from 3 to 6 percent. This profile also indicates that most mature club operations had membership growth closer to 3 percent. Figures 1 and 2 show that most fitness centers have to sell between 800 and 1,300 memberships on an annual basis to succeed, with some of the larger club operators having to sell as many as 5,000 memberships annually.

What is most evident from these figures is that, on an annual basis, most fitness centers generate new sales at a rate ranging from 28 to 54 percent of their base membership. Fitness centers have a pattern that requires a high rate of membership sales. If, for example, the mean number of total sales for fitness centers larger than 60,000 square feet, which is 1,557 memberships, is used as a basis for identifying the extent of the need to sell memberships, and that number is converted to a weekly sales rate, a facility ends up having to sell 20 member-

ships a week. If the annual sales ranges indicated in Figures 1 and 2 are examined, the average sales required on a weekly basis for the majority of fitness centers would range from a low of 10 to a high of 30 sales per week. Facilities in large chains often have to sell an average of 100 memberships per week. A high-performing sales person will, on average, make approximately 10 membership sales a week. In other words, most fitness centers will need at least two full-time membership sales people. In fact, high-sales-volume clubs will often need as many as 10 membership sales people. Obviously, sales are most definitely a numbers game.

The membership sales continuum

Membership sales involve three distinct stages: identifying leads, qualifying prospects and closing the sale. Each of the stages is like a filtering screen, with the number of people at each stage being screened until it becomes a smaller population with better qualifications for membership. As Figure 3 indicates, the sales process can begin with 100 leads who develop into 30 prospects, which results in 15 sales.

For example, a fitness center that requires 20 new memberships per week would need to generate a total

	Mean	Lower 25%	Median	Upper 25%
Accounts Added	1,011	508	730	1,124
Accounts Dropped	870	414	662	1,947
Net Accounts	141	94	68	177
Total Members	1,871	1,298	1,640	2,127
Sales %	54%	39%	45%	53%

Figure 1. Annual membership sales for health/fitness clubs 20,000 to 35,000 square feet in size*

	Mean	Lower 25%	Median	Upper 25%
Accounts Added	1,557	675	1,000	1,459
Accounts Dropped	970	448	965	1,415
Net Accounts	587	227	35	44
Total Memberships	4,654	2,040	3,277	5,288
Sales %	33%	33%	31%	28%

Figure 2. Annual membership sales for health/fitness clubs more than 60,000 square feet in size*

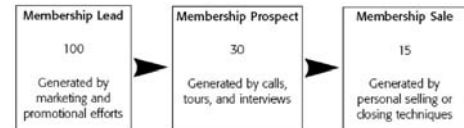


Figure 3. Membership sales continuum
*Used with permission from IHRSA’s 2004 Profiles of Success.

of 130 leads and 40 prospects weekly. When examined in this perspective, the sales process requires a large reservoir of leads in order to produce the required level of membership sales. While the percentages tend to vary from market to market and club to club, the average fitness center can expect to convert 20 to 50 percent of its leads to prospects, and 20 to 80 percent of its prospects into actual members.

Numbers don’t lie

Membership sales are a byproduct of a disciplined business practice that requires a detailed system of checks and balance. While a variety of ways have been used over the years to sell memberships (some more successful than others), the bottom line in every situation is how many memberships are actually sold. **FM**



STEPHEN THARRETT is president of Club Industry Consulting, a fitness and sports industry consulting company. He has spent almost three decades in various roles in the industry, ranging from serving as a director of athletics to being a senior vice president with ClubCorp, Dallas, Texas. He is a past president of IHRSA and co-editor of the second and third editions of the *ACSM Health/Fitness Facility Standards and Guidelines*. Recently, he wrote and produced a comprehensive textbook and DVD series for the industry, both entitled *Fitness Management*, which can be purchased from Healthy Learning at www.healthylearning.com or 888 229-5745.



JAMES PETERSON, Ph.D., FACSM, is a sports medicine consultant, fellow of the American College of Sports Medicine, a former faculty member at the United States Military Academy and a former director of sports medicine for StairMaster Sports/Medical Products Inc.