

# The Real \$\$ Value of your Group Fitness Department



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## **Executive Summary:**

Measuring your return on investment (ROI) for group fitness is crucial for understanding the impact and future potential of this valuable department. Many operators and managers find it difficult to quantify the ROI for group fitness because it is not a direct fee-based service. Understanding how your facility services members and the monthly revenue generated by those members will help you calculate the real value of your group fitness department.

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# What is ROI?

“Return On Investment – the profit from an activity for a particular period compared with the amount invested in it” - Cambridge Dictionary

The return on investment (ROI) is the percent of profit you are making based on how much money you are investing in group fitness. The formula for ROI is the gross profit of your investment, less the cost of your investment, divided by the cost of that investment, and then expressed as a percentage.

More simply put, are you getting your money's worth?

In an economy and a business where every dollar counts, do you really know if you are getting a return on your investment for every dollar you spend? You may track the return on investment for your personal training department and the ROI at your juice bar or pro-shop, but what about the *thousands* of dollars that you spend each year on group fitness? (A typical club with 30 classes a week might spend \$40,000+ per year).

“**Calculating the ROI of your group fitness department is a simple and powerful process that will help you understand if you really are getting your money's worth.**”

Too hard to measure? Too difficult to quantify? Not at all.

Calculating the ROI of your group fitness department is a simple and powerful process that will help you understand if you really are getting your money's worth.

# What is ROI?

continued...

## Let's Talk Numbers

The more effective you are at categorizing business expenses, the better you can understand, analyze, and improve your club's profitability. If you use an accounting software program for your business, you have expenses broken down into categories. Each category represents a different segment of the operation. For *most* categories, running a detailed profit and loss statement gives you a quick snapshot of the efficiency for that specific department. For personal training, it is the revenue of member-paid fees minus the cost of the trainer's pay. For the juice bar or pro-shop, it is the revenue of sales minus the cost of materials purchased. And for group fitness, it is ... well, it's an expense without revenue. *Or is it?*

“Numbers are good.  
Dollars are better.”

## It's Not the Number(s) You Think

Count dollars – not just numbers. This paper is not a dissertation on retention rates, the benefits of member interactions, or the inherent value of a “group fitness member” versus a “machine member.” The IHRSA Guide to Membership Retention is an invaluable resource of comprehensive data and findings on the extremely high value of group fitness (even though it is not always a simple calculation). And although most owners would agree that it is less expensive to service 50 members in a group fitness room (with one paid instructor) as compared to 50 members out on the floor (on 50 pieces of equipment), those aren't the discussions to be covered here either.

Retention data, usage calculations, and participation figures are all good numbers – critical numbers, in fact, in measuring the current health of your group fitness program.

Numbers are good. Dollars are better.

In order to prove that there *is* a return on your investment (ROI), you must count dollars.

# The Dividing Line

Why do people join your facility? (Not a trick question).

Every single prospective member is interested in seeing your facility, inspecting the cleanliness of your space, experiencing the friendliness of your staff, and testing out the convenience of your facility to his or her busy life (hours of operation, location, child-care options, etc.). All members get to enjoy these features and benefits of your facility.

One point that will subdivide a membership base comes from the old adage that members will “vote with their feet.” If they join your facility for the machines and the treadmills, they will spend the majority of their time on the machines. If they join for group fitness, they will spend the majority of their time at your facility taking classes. To state the obvious, “machine members” are paying you for the use of your machines, and “group members” are paying you for the use of your classes.

*So how much of whom is paying for how much of what? Huh?* Exactly. Keep reading.

The Bottom Line: if members are paying monthly membership dollars for the benefit of either your machines or your classes, then allocating a percentage of membership revenue to each segment of your membership will distribute membership revenue income accurately and appropriately.

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# Calculating Group Fitness ROI

In order to calculate the ROI of your group fitness department, you will need some performance data for your group fitness classes and overall facility usage.

## Annual Cost of Group Fitness – What is the Investment?

The total annual cost of your group fitness department (GF) is the summation of instructor wages, the yearly salary for a Group Fitness Director (GFD) to oversee the program, and the annualized cost of any license fees for those clubs using a professionally created and branded program such as those provided by MOSSA (Mo. License).

$$\text{Annual Cost of Group Fitness} = [(\text{instructor } \$\$ \text{ per class} \times \text{total classes per wk}) \times 52] + \text{GFD salary} + (\text{Mo. License} \times 12)$$

*Calculation 1 – Annual Cost of Group Fitness*

## ROI: The Real \$\$ Value

An expense that significant alone on the profit and loss statement without a correlating income source is *highly concerning* to say the least. And unless your facility charges an additional fee to members for attending a class, the profit and loss statement is simply a loss statement. If you have ever questioned if your group fitness is *really* worth the expense, or if you have ever wondered if there is a better way to calculate and explain the **real \$\$ value of your group fitness department** (in a way that your CPA, your business partners, and/or your spouse would understand), there is good news.

$$\text{ROI of Group Fitness} = \frac{(\text{Annual Membership Revenue} \times \text{GF Participation \%}) - \text{Total Cost of GF}}{\text{Annual Cost of Group Fitness (GF)}}$$

*Calculation 2 – The ROI of Group Fitness*

# An Example ROI Calculation

## Example: Calculating Group Fitness ROI (XYZ Club)

- XYZ Club has 2,000 members and charges \$45 per month
- 2,000 members x \$45 per month = \$1,080,000 annual membership revenue
- XYZ Club is servicing 15% of member check-in's through group classes
- Annual Cost of Group Fitness = \$50,000 (from Calculation 1)

## ROI of Group Fitness =

$$\frac{(\$1,080,000 \times 15\%) - \$50,000}{\$50,000} = 2.24 = 224\% \text{ Return on Investment}$$

In this example, the expense of \$50,000 per year (instructor wages, Group Fitness Director's salary and license fees, if applicable) is responsible for \$162,000 in annual membership dues revenue (*group members' dues revenue*), which is a 224% return on the yearly investment.

**A \$50,000 per year investment at XYZ Club is responsible for \$112,000 in profit/year.**

# Numbers and Dollars Together

Calculating and understanding your return on investment (ROI) for your group fitness department will allow you to measure the effectiveness and efficiency of your current class schedule as well as help you evaluate future options for growing group fitness at your facility.

Your Group Fitness ROI should be used as the overall barometer as to the fiscal strength of your program. In addition, other measures and key performance indicators such as group fitness participation, cost per head, square-footage allocation, class schedule analysis, the make-up of your current instructor team, and membership demographics should each be considered when evaluating the total health of a group fitness program.

Know your numbers – being able to make improvements to your group fitness department will ultimately help your facility service more, keep more, and sell more members.

## **Special Thanks**

Special thanks to Scott Gillespie, Owner of Saco Sport & Fitness in Saco, Maine, MOSSA Customer and IHRSA Board Member for asking great questions and providing excellent insight in to membership revenue allocation relative to the percentage of group fitness participation. Scott and his success as a club owner are a testament to our belief that we are only as good as measured by our great customers! Thanks Scott!