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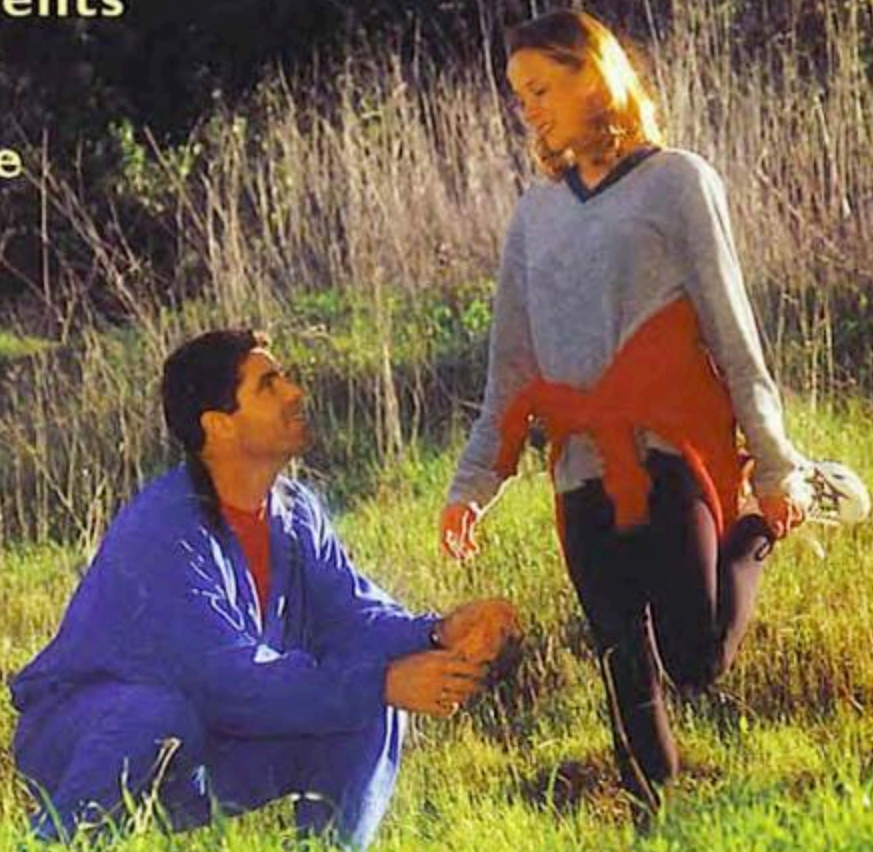
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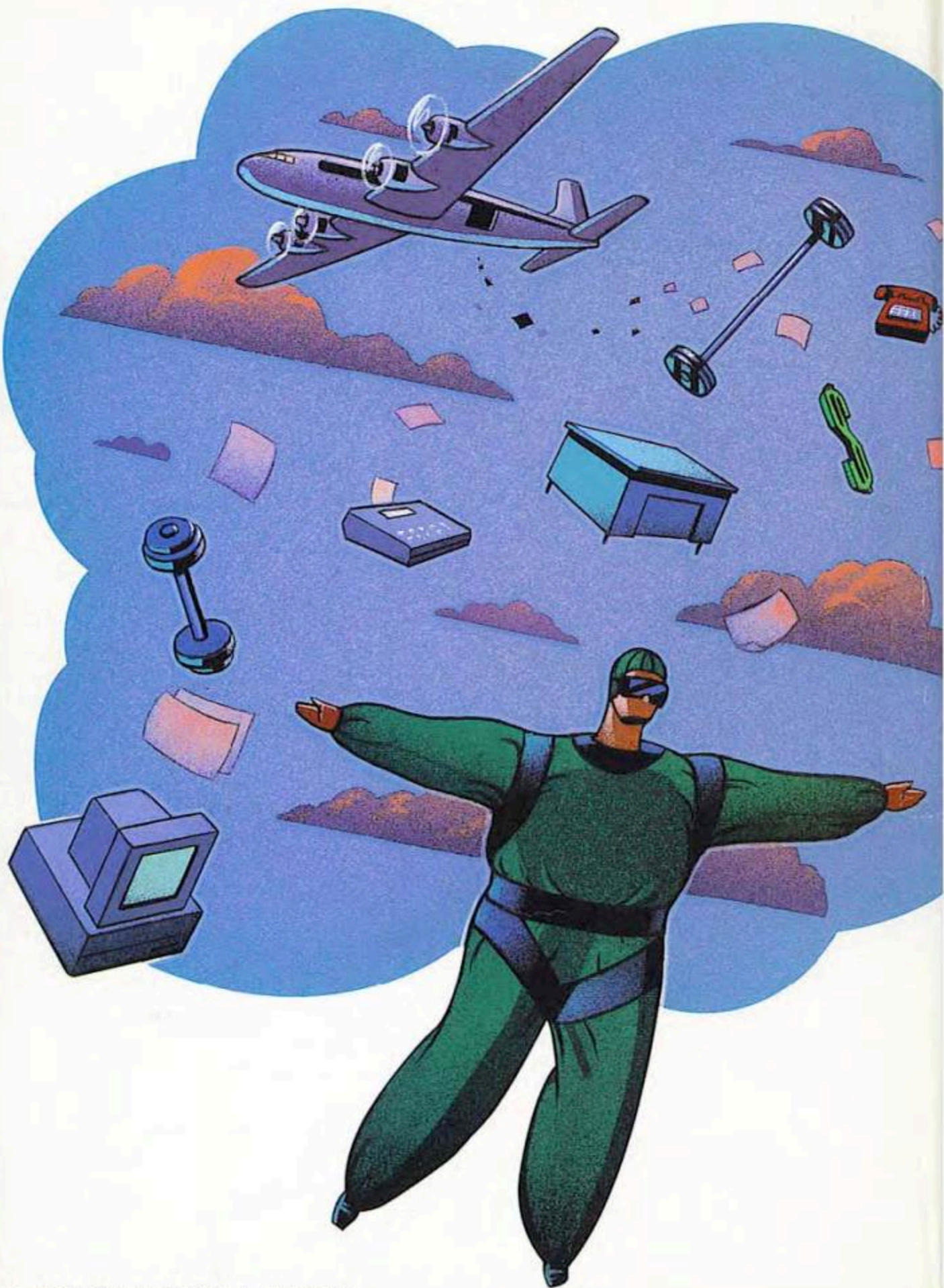
Trainer

**Insiders' Guide to
Opening a Studio**

**Strength Training
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**The Facts
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Opening a

P E R S O N A L

T R A I N I N G

Studio

Starting a business is like jumping out of an airplane thousands of feet above the ground. You never know if you will be successful until you're soaring through the sky and there's no turning back.

For many personal trainers, the fear of leaving the security of a club-based business or the predictable—if hectic—regimen of providing personal training in clients' homes is enough to keep them from taking the leap. In fact, a recent survey of IDEA's 8,000 personal trainer members revealed that only 10 percent were studio owners.

The "fear factor," says Michael S. Ashley Sr., MS, president of Mike Ashley's Personal Fitness Training Inc.—an 1,800-square-foot facility in Wilmington, Delaware—is usually lack of knowledge. Personal trainers might be incredibly good at what they do, observes Ashley, but "most don't have a lot of knowledge about business. They are more comfortable remaining with a paycheck."

While most personal trainers who have embarked on the journey toward opening a training studio concede an initial lack of business knowledge, they also point to several compelling reasons to take a chance.

"I wanted to have control over the decisions—the little details," says Rick Vega, who with partner Joe Rintharamy opened Lifestyle Fitness, a 1,000-square-foot training studio in Lake Mary, Florida. Vega, president and co-owner, recalls seeing high client turnover at the training facilities where he worked, with too many owners "cutting too many corners. I had no control over what was going on. I wanted to establish my own name and my own reputation, and to benefit from hard work."

Adds Mark Iagulli, owner of PowerLine, a 4,700-square-foot facility in Toledo, Ohio: "You can have trainers on steroids who look good but don't train people properly. We make sure our trainers are doing it right and achieve consistent results."

An equally compelling reason personal trainers cite for striking out on their own is, quite simply, there is more money to be made.

"The hours that one individual can physically train from day to day and month to month limit the gross revenue a self-employed trainer can earn," says Sarah Scott, founder and president of Ironsmith Body, an 8,500-square-foot facility in Austin,

Texas. With eight trainers, Ironsmith Body averages 56 to 80 clients a day. "When you have your own training center,"

Scott explains, "you can serve a lot more people and generate greater income relative to fixed overhead." →

Have you thought about taking the leap? Here are the areas to look at, and suggestions from trainers who have succeeded.

BY BARBARA A. MORRIS

What Do You Need to Start?

Personal trainers who have already crossed the line from self-employed or club-employed trainer to gym owner caution that the journey requires a tremendous commitment of time and resources. They also warn it is a dangerous undertaking for anyone who is not prepared to plan and pay attention to the myriad details inherent in any business ownership.

Success, says Dave Parise—president and owner of the 6,000-square-foot Results Plus Wellness and Physical Reconditioning Center in Hamden, Connecticut—comes as a result of careful planning. “Guesstimates and lucky accidents are too risky,” Parise cautions. “When it comes down to concepts and ideas, there are two kinds of people in this world: people who go out and make it happen and people who sit around and wait for it to happen. An idea will never work unless you do.”

So how does the personal trainer with ambition and a dream turn that dream into a thriving studio? Successful personal training studio owners and consultants say the business issues fall into these primary areas:

- managing capital
- formulating a business plan and consulting with accountants and attorneys
- determining a location
- acquiring a building and making renovations
- deciding on leasing versus buying a building
- acquiring equipment
- marketing

Capital and Money Management

First, the personal trainer must have capital. While studio owners repeatedly stress the importance of starting out small and expanding as

the studio's client growth dictates, there are still significant start-up costs that virtually any studio owner will incur.

The building lease, renovations, equipment, utilities, insurance, office furniture and supplies, telephone lines, the services of an attorney and an accountant, payroll and computer equipment are just some of the items cited that must be factored into the start-up costs of a self-owned facility, according to studio owner Bob Shaw.



“Budgeting is so important,” stresses Shaw, owner of Physical Structure, a 3,000-square-foot New York City-based personal training and educational fitness facility that currently serves approximately 120 clients. Like most entrepreneurs, studio owners can obtain seed money from a number of sources. Some save and use their own financial resources; others look to debt solicitation (i.e., a loan); and others look to equity solicitation (i.e., an investor). The latter two options, while different, nevertheless require would-be business owners to carefully consider a wide range of financial issues. See “Preparing the Loan or Investor Package” for more details.

Kristi Aygeris Elting, president and owner of Healthy Habits—a 1,700-square-foot personal training studio in a renovated home in Memphis, Tennessee—left a good job as an exercise specialist at a large bank to open a 400-square-foot office where she conducted fitness assessments and consulted on exercise programs while providing personal training at off-site locations. Her start-up costs were relatively low, and she was able to obtain a \$15,000 small business loan, secured with her father's cosignature.

When Elting decided to expand and open a studio from which she could provide on-site personal training, her financial needs were much greater—as

was the preparation she was required to do to obtain financing. With the help of an accountant, Elting compiled a detailed business plan that included a description of her services and detailed information on revenue generation, growth projections, anticipated staffing needs and financial forecasts. Elting points out that it takes both time and money to ready oneself to ask for money, but the effort does pay off. “I walked into the bank prepared, and I couldn't have done that on my own.”

Whether you're seeking a loan or investment dollars, experts echo

PREPARING THE LOAN OR INVESTOR PACKAGE

To apply for a loan or propose a business investment, you need to provide a thorough and well-researched business plan and financial projections. Rick Caro, president of Management Vision, a New York City-based fitness industry consulting firm, and author of *Financial Management*, says banks generally want a loan application to answer the following key questions:

- Will net cash flow exceed the total debt service (payments plus interest) by 30 to 60 percent?
- Does the business have assets the creditors can secure?
- Who loses in case of a business failure?
- Is the business owner's investment sufficient to cover the banker's risk?

Sometimes, continues Caro, the United States Small Business Administration (SBA) is a lender to small businesses. More frequently, it will act as a guarantor of local bank debt, with certain limitations.

Typical investors, on the other hand, are interested in being assured of a reasonable return on their investments in a reasonable amount of time. According to Caro, they will want to review a business plan that enables them to:

- Determine the characteristics of the company and the industry.
- Determine the terms of the deal.
- Read the latest balance sheet or a projected balance sheet.
- Determine the caliber of the people involved in the deal.

Elting's advice regarding the importance of working out realistic financial projections and compiling a detailed business plan. They likewise stress the importance of using attorneys and accountants, cautioning that personal trainers who think they have the expertise to do it themselves could be in for a rude awakening.

Greg Justice, MA, owner of AYC (At Your Convenience) Personal Fitness Training—a three-suite facility in a medical building in Prairie Village, Kansas—recalls how one of his clients offered to become a partner through a sizable investment.

"We did everything verbally," says Justice. Over time, "miscommunications" resulted in different perceptions about the terms of the partnership. After four years, Justice bought out his partner. Today the relationship between the two men is still amiable, with the former partner remaining a loyal client. Yet the experience, says Justice, taught him several valuable lessons. "I learned you do need a lawyer and an accountant, and everything has to be in writing."

The Right Location

The financing issue, while major, is not the sole determinant of success. One component that can make or break the future of a new business is its location. Personal training studio owners repeatedly stress that it is critical for the location to be convenient to the clientele you wish to attract. An area that is heavily populated with major corporations, local shopping centers and street traffic is desirable, says Parise.

"You want high visibility," adds Iagulli. "Do your own demographics. Accessibility is the biggest thing. You want it to be as easy as possible (for clients) to find your location." Iagulli's facility, for example, is located off a major road that runs north-south through Toledo, and is near an express-

way leading to the highly populated east side of the city.

Likewise, Ashley's studio is located in an office complex that sits at an intersection between the two towns in which most of Ashley's clients live or work; and Vega's studio is in a busy commercial plaza on Lake Mary's main boulevard.

When Shaw was looking for the ideal location, he determined that in highly congested Manhattan, his studio had to be within a half-mile radius of his desired clientele. He eventually chose an uptown, upscale Madison Avenue location. In Manhattan, says Shaw, location really determines who your clients are.

Equally important is determining the location of competitors relative to a location under consideration. Parise advises trainers to also determine the location of top restaurants, accountants, attorneys, medical centers, orthopedic surgeons and cardiologists in the area. "Put a map up on the wall and pinpoint these locations within 15 miles," says Parise. He points out that a visit to the local town hall can be a good source for this type of information.

Evaluating the Building and the Deal

Having decided on a location, the personal trainer must pay close attention to details concerning the building under consideration.

Will the proposed space require extensive or moderate renovations to prepare it to function as a personal training facility? How much usable floor space does the location provide? What floor is the location on? This latter consideration was cited repeatedly by the owners, most of whom preferred a ground floor location. They

felt the ground floor was convenient for their clients and eliminated any potential difficulties with neighbors on lower levels.

Also important, say studio owners, are the other tenants. One consideration is how they will mesh with the intended atmosphere and clientele of the studio, and another is their potential as future clients. Several studio owners have reported significant increases in client numbers because of their tenant neighbors.

At Ashley's facility, for example, employees of the building's tenants are allowed to use the gym for a reduced rate. Other studio owners have gone

door to door, dropping off brochures or business cards at the offices of their neighboring tenants. Observes Shaw, "If you can open a studio in a building with a lot of commercial tenants, you can market within the building."

Another important decision faced by the start-up studio owner is whether to buy or lease a property. Scott advises the personal trainer to do financial modeling to determine how much money will be put into a lease each year versus the cost of carrying a mortgage. Equally important, she says, is whether the studio owner wants real estate to be a part of the business portfolio. Property ownership carries its own responsibilities and potential headaches, and unless the studio owner is committed to the business for the long term, he or she could be creating a huge debt.

Yet Scott, who purchased the building in which her studio is located, believes property ownership, assuming the property holds the potential to appreciate, is a desirable option. "At best, rent is just a deductible expense," says Scott. "It is also still money down a black abyss."

For the majority of novice studio owners, who may be struggling to



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obtain the financing necessary to prepare and equip their facilities, leasing a property may be the better option. What they need to remember, however, is that the terms and conditions of leases vary and can be negotiated. Some studio owners point to the role a real estate attorney can



play in lease negotiations and contract reviews to ensure the owner's interests are protected.

At the very least, personal trainers should do their homework before they begin to seriously scout out a location. "You have to do the research. Find out what is the going (square-footage) rate, what type of space you want to obtain and what you can afford," advises Vega.

Shaw also points out that renovations to the space—particularly those that are not specific to a personal training facility, such as drywall or ductwork for air conditioning—are generally considered building improvements, which can often translate into a more favorable square-footage rate or better leasing conditions. Shaw, for example, was able to negotiate four months of free rent and a lower square-footage rate as a result of the significant renovations he made to the space.



Ashley, on the other hand, knew his landlord and was able to barter for building improvements,

with the landlord footing much of the bill in return for personal training.

The length of a lease is also subject to negotiation, as is the necessity of signing a lease. However, while some studio owners may desire the freedom inherent in renting month to month,

SURVEY FOCUS: PERSONAL TRAINING STUDIOS

What are the business practices of personal training facility owners? Following are the results of a survey of 75 IDEA personal trainer members who stated they are "owners of a personal training facility." These data, most of which have not been released before, are taken from the 1997 IDEA Personal Training Business Survey conducted by Beta Research West.

LENGTH OF TIME FROM OPENING BUSINESS TO BREAK-EVEN

Average	13 months
Median	6 months

SOURCE OF CAPITAL TO START BUSINESS

Personal savings	68%
Relative	15%
Bank loan	8%
Friend	4%
Business associate	1%
Investor	0%

TYPE OF LEGAL STRUCTURE

Sole proprietorship	57%
Corporation	26%
No formal structure	16%
Partnership	1%

PLANS USED BY COMPANY

	At Start-Up	Currently Used
Business plan	58%	60%
Marketing plan	56%	55%
Financial plan	48%	55%
Annual budget	34%	54%

CURRENT REVENUE SOURCES

Personal training	99%
Group training (2-5 clients)	68%
Fitness assessment (sold separately)	53%
Vitamins/supplements	26%
Dietary assessment (sold separately)	24%
Equipment sales	18%
Sports massage	18%
Clothing	16%
Facility design	16%
Product commission	7%
Smoking cessation (sold separately)	4%

METHODS USED TO SELL SERVICES

Average Number of Methods Used	3.2
Word of mouth	100%
Fliers	41%
Sales brochures	41%
Advertising	41%
Cross promotion with other businesses (e.g., masseurs, beauticians)	36%
Direct mail	30%
Press releases	22%
Introductory session with home equipment (e.g., free session with product purchase)	8%
Telephone soliciting	6%

METHOD OF COLLECTING PAYMENT

Collect in advance	81%
Collect at session	51%
Invoice after session	20%

DISCOUNTS OFFERED TO CLIENTS

Trainers Offering Discounts	73%
Multiple sessions at reduced rate	48%
Package discount	33%
Partners/groups of 2 or more people	17%
Payment in advance	17%
Reduced fee/free session for referral	8%

POLICIES IMPLEMENTED WITH CLIENTS

Cancellation policy	73%
Written contract for services	61%
Payment schedule/agreement	61%
Refund policy	27%
Chronic tardiness	20%

PRODUCTS CURRENTLY OWN/USE AT HOME OR IN BUSINESS

Free weights	89%
Calipers	69%
Stationary bike	65%
Heart rate monitor	64%
Treadmill	59%
Stepping machine	48%

AVERAGE WILL SPEND ON EQUIPMENT IN NEXT 12 MONTHS

Exercise/sports equipment	\$2,841
Business/office equipment	\$1,671

AVERAGE NUMBER OF CLIENTS

	Weekly	Monthly
Number of clients	15.6	45.1
Number of sessions/appointments	25.5	95.5
New clients from referrals	3.1	5.3
Clients lost	1.3	1.6

SNAPSHOT

Compared to other trainers responding to the survey, facility owners:

- Use twice as many business/financial plans.
- Carry more liability insurance.
- Use many more marketing vehicles, especially advertising, cross promotion, press releases and direct mail.
- Spend more on exercise/sports equipment and business/office equipment.
- Have more revenue streams in addition to training.

For more information on training facility revenues and expenses, or to compare these results to other types of personal training businesses, see the IDEA 1997 Personal Training Business Survey, available through IDEA member services. (800) 999-4332, ext. 7, or (619) 535-8979, ext. 7.

the absence of a lease also gives the landlord the freedom to raise the rent or tell the studio owner to vacate at a moment's notice.

Studio owners should negotiate lease terms they can live with. Justice recalls that he didn't want to lock his studio into a long-term lease. Although the landlord was originally discussing lease

terms in the three- to five-year range, Justice was able to pare the requirement down to one year. In November 1987, Justice signed a one-year lease on his new facility. Ten years later, he is still at the same location and very happy with the arrangement. Likewise, Elting was able to negotiate a one-year lease. She adds, however, that part of that negoti-

ation included an agreed-on square-footage rate for the second year, should she decide to renew.

While every leasing agreement might be different, studio owners stress that nothing is written in stone. "Leases are negotiable," advises Elting. It is up to the personal trainer to know what to ask and have the confidence to ask it. →

According to Shaw, 90 percent of small businesses fail within their first year. Building owners, he points out, don't like to see frequent tenant turnover. "It's in the landlord's best interests to do everything possible to get you going," he explains.

Equipping the Facility

The "buy versus lease" question also arises when it comes time to equip the studio. As was the case with acquiring studio space, personal trainers offer convincing arguments for both approaches.

Scott advocates both strategies, advising the studio owner to buy the low-technology, not-likely-to-change equipment. As she points out, "a 10-pound dumbbell will always be a 10-pound dumbbell. Furthermore, if you go out of business, equipment that was bought well and maintained well will ultimately maintain a high resale value."

Scott believes, however, that leasing options should at least be evaluated when acquiring high-tech, cutting-edge fitness and office equipment that may change significantly as technology advances or goes out of vogue.

Ashley, on the other hand, advocates the "slow accumulation of equipment," advising the owner to initially buy only the basic equipment needed to get the studio up and running. When Ashley opened his studio, he purchased only about 40 percent of his ultimate equipment inventory, starting out with free weights, a bench, a stepper, a treadmill and a recumbent bike. Ashley was able to negotiate an arrangement with the equipment dealer to purchase the equipment at wholesale prices in return for promoting the equipment to his clients.

Vega also prefers purchasing equipment outright, because of his desire to remain in control of every aspect of his business. Likewise, Justice reports that

he "always" buys his equipment, noting that ownership allows him the option of selling his equipment when it comes time to upgrade. Justice explains that he finds a highly receptive market for his equipment among his clients, most of whom have home gyms. "They get a good deal on equipment they know has been well maintained," Justice realizes a 50 to 60 percent return on his initial investment through equipment resale.

For some studio owners, leasing equipment is the more desirable option. Shaw believes among its key advantages is the fact that leasing frees capital for other studio-related needs. Elting, who leases her equipment, advises the owner to determine beforehand how much money per month can be allocated to equipment lease payments. Then the owner can negotiate a payment arrangement that fits.

Studio owners point out that the terms of equipment leases, like those of building leases, can vary, usually with regard to the initial down payment, the duration of the lease, and whether the equipment is fully paid for by the end of the lease. As with any contract, studio owners should carefully review the terms and conditions of equipment leasing arrangements before signing on the dotted line.

Marketing the Facility

Once trainers have jumped over all the hurdles in the way of opening a personal training studio, a critical consideration remains. While the majority of studio owners point to word of mouth as the primary source of new clients, additional marketing can improve the numbers over time.

"Don't just open your doors and hope people will knock," says Jagulli.

The studio owner may be confident in his or her ability to bring an initial group of clients into the new facility, but marketing is necessary to ensure sustained client growth. Marketing strategies are as different as the studio owners using them. Here are techniques that studio owners report have worked.

Media Contact. Send a letter or a more detailed media packet introducing yourself and your facility to local newspapers. Suggest that you could write an article on fitness or a related topic (i.e., nutrition), and offer your services as a source for reporters doing fitness stories.

Client Incentives. Offer a free personal training session or some other incentive to current clients who make a referral. One studio owner remembers a client who earned two months of free training by referring 15 new clients to the studio—unquestionably a win-win situation for both trainer and client.

Charity/Community Involvement. Donate gift certificates for a free session, to be awarded at local events.

Direct Mail. Acquire lists that mesh with your desired clientele, for example, a country club's member list. One studio owner reports that for as little as \$750, she was able to send out 1,500 pieces to a targeted audience. She easily earned back her investment in new client revenue.

Professional Networking. Send detailed information about your facility and services to local medical groups, physical therapists and chiropractors. It's also a good idea to become an active member of your local chamber of commerce, as this group can provide valuable networking opportunities.

Nearby Businesses. Offer employees of other businesses in the building a reduced rate, and drop off brochures at nearby businesses.



Making the Leap

Personal trainers who are considering opening a facility must already be very well established, known within fitness circles, and therefore likely to be able to bring in an initial client base to keep their fledgling operation afloat.

Successful studio owners also advise those who are considering stepping out on their own to attend industry-sponsored conferences and seminars on the subject, seek out their local chambers of commerce and avail themselves of the knowledge of other business owners, both in the fitness industry and outside it. As these gym owners point out, many of the issues and decisions faced by the would-be studio owner are universal to any novice entrepreneur.

The ultimate key to success, say experts, is not letting fear prevent you from stepping out of the plane and opening the parachute.

"My personal advice is, overcome the fears and take the first step," says Parise. The industry is changing, and more and more people are turning to personal trainers. Be at the top, as a forerunner, a pioneer. A proactive attitude," he continues, "will bring you to the level of a true entrepreneur."

Good luck. ●

Barbara A. Morris is a writer with a special interest in the insurance, risk management and fitness industries.

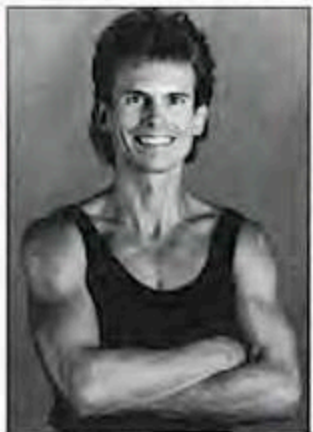
RESOURCES

1997 IDEA Personal Training Business Survey. Statistics on business practices, average client numbers and tenure and income.

IDEA Personal Trainer Business Book by Denis Gagnon and Lorraine Forrester. Business planning and vision based on the authors' own experiences.

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