

Return on investment: probing the franchise

AS FITNESS professionals, we're all familiar with BMI (body mass index) as a measurement of our physical health.

But when was the last time you checked your ROI?



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Return on investment, is a useful tool to measure financial health. And business owners, particularly franchise owners, can't live without it.

So how can you tell if a franchise business model will adequately reward your hard work?

Here are five warning signs that the scales aren't tipped in your favor.

THE WHEAT AND THE CHAFF

Imagine tapping the services of a doctor only to learn he has no medical training. He, and the hospital that employed him, would lose credibility. If this deception occurred regularly, you would probably lose respect for the medical profession and be suspicious of any future medical claims.

Visiting some fitness franchises can be just like that. Some franchi-

sors require little or no professional knowledge from franchisees and staff. For these franchisors, fitness credentials are as good as two-week crash course in equipment operation.

Investing in this type of franchise leaves your business vulnerable – even for credentialed operators – because of the low qualifications of fellow franchisees.

The best franchise organizations limit staff to those who demonstrate fitness knowledge through professional certification and degree programs. By investing in a franchise that guarantees professionalism and best practices across the entire franchise, you safeguard your investment and business reputation.

GOOD TIMES AND BAD

Fitness franchisors structure monthly fee schedules in many different ways. When a franchisor charges a flat monthly fee versus a royalty fee, it could be a sign you won't get the business and consulting assistance you bargained for.

Why?

Flat fee structures ensure stable income for the franchisor in the best, and the worst, of times. There's no incentive for the franchisor to help you maximize

profits.

Rather, the franchisor benefits the same in cycles of growth and cycles of contraction.

Instead, look for a franchise organization that charges a percentage of total revenues. This royalty structure serves to reward both parties fairly. When times are good, rewards are high. During slow times, fees decrease as a percentage of sales.

As a rule, franchise groups with royalty fees offer ongoing assistance (start-up aid, initial training and onsite visits) to their franchisees. Royalty fee structures have built-in incentives – encouraging both sides to collaborate and think creatively to maximize profit potential.

STAYING POWER

Some franchise ideas seem to penetrate the market at warp speed. But a shooting star is fleeting. Ultimately, it will crash and burn even while dazzling us with its brilliance. So how do you know if a fitness trend has legs or if it's already reached its zenith?

The answer is simple: There is no substitute for time and experience.

Analyzing the market credibility of a fitness concept is a critical step in the discovery process. Business concepts that take off too quickly

are destined for problems. Instead, look for a proven concept with many years of growth and business cycles behind it. In my business, the demand for personal trainers is growing stronger. Once a service reserved for the privileged, current growth is now fueled by ordinary Americans interested in managing their health.

BUILDING A FOUNDATION

Have you ever tried sitting on a one-legged stool? Probably not.

That's because one-legged stools don't provide adequate stability. In fact, three-legged stools provide more security than two-legged ones, and four-legged stools are better still.

Franchise businesses are like that, too. Fitness franchises designed to deliver one service, one way, offer fewer opportunities for growth and risk alienating clients with inadequate fitness solutions, or worse, boredom.

Franchise business models that offer multiple services to meet the health needs of clients are better off. Franchises that complement their personal training with nutritional counseling, massage therapy, holistic health practices like yoga and Pilates, and cardiovascular workouts offer greater income potential

for operators, a more stable revenue stream, and better client retention rates over the long haul.

EMOTIONAL INTELLIGENCE

Tried listening to your gut?

Before purchasing a fitness franchise, it's important to pause and listen to your inner voice. Going into business is as much about personal enjoyment and professional fulfillment as it is about income potential.

Any franchise group you choose will become like a second family. Whether you want that family to be more like Ozzie and Harriet, or Sharon and Ozzie, is up to you. Just know that your inner voice is feeding you important information synthesized from external stimulation and internal processes, powered by your five senses.

Entering into a partnership with a franchise group is much like buying a house. There are practical and emotional reasons a house just feels right. Knowing that you have made the right decision, and are destined to be where you belong, is the best return on investment of all. **FBN**

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