

BUSINESS MODEL PANEL

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Origins story

What inspired me to start? I saw the need for fitness education for group exercise instructors in the Chicago area. At the beginning of my career, I had no money. I was still in law school. I wished that there was something close by that I could attend every year so I could stay educated. People with families can't always leave for a full week to support a part-time career. My friends and I wanted to be able to drive to a convention. So, I thought a local, drivable event might work. Additionally, I had already started doing workshops training instructors how to teach. Most importantly, I had already found my calling. I totally loved finding other teachers and trainers that could educate and entertain. I enjoyed learning from others and finding and promoting talent. I get a true pleasure out of nurturing fellow fitness pros diverse talents. If you asked me ... would you rather be in front of the curtain, or behind the stage? At heart, I am a planner, a curtain-puller, and a star-struck stagehand.

Business model clarity

When I started my business, I didn't have a clear understanding of what my business model would be. I had an inkling of what I wanted. Something local. Something that brought like-minded people together, something that would educate. Overtime the three-day model evolved, the multiple session offerings expanded, and the idea of a small expo emerged. In my mind, business models develop overtime. I always thought that I would have a "sexy", "hot" and "young" business model. And over time, we found that Active Aging and Functional Training are our most successful programs. I also thought that I wanted SCW to appear as a solid, profession and solid "business."

But everyone was calling Sara's City Workout a "family." It kinda pissed me off. I own a business. I am not running a "family." I have a family at home. At work, I am a serious, professional and solid convention owner. But over time, I came to realize that every business wants to be thought of as a safe, secure, and stable "family." People should feel at home. People should feel comfortable. And that is what SCW Fitness Education is ... it is a family.

Businesses develop and evolve over time, and as entrepreneurs we must embrace this and go with the flow. See what evolves. See how your business takes form. Be flexible and embrace the change.

Growth strategies

The best way you can grow your business is to examine what is working and LISTEN! At SCW, we called this "learnings". "Learnings" are what you've done wrong and then listing what you've done right! Then we take what we need to correct – accept it without being defensive and change. We also examine what we have done correctly, and we systematize it (operationalize it.) We memorialize the change, make it happen immediately. We learn and grow, and we ACT.

We always create a system (a procedure) so we can scale. We almost always put these changes into a manual form – so that it is documented for future use. We take pictures of what works and keep it in an area that we can find quickly for future application. For all businesses, this is the best way to grow. If you have a facility or a business model that seems to be working and seems to be making money, the only way to make real money is to duplicate what you are doing and have it work similarly in another facility or framework, and at another time.

For example, boutique fitness studios usually make only 15% profit. Most businesses try to make 50% on their investment. Of course, 50% is on the extreme high side, so if you can scale (and grow) this 15% profit, you can have a very successful operation.

This means that you need to open two or three or 10 facilities to really make a solid income. If you open a second facility, typically this can work without a lot of employee manuals or documented processes. But when you get to three facilities, you will need to develop systems. You must figure out a way to take your employees and spread them over three facilities.

What I am referring to is have one group fitness director and have them operate over all three facilities. You do not want to have to hire one director for each location and pay three salaries. Give this one director a raise and increase their responsibilities so that they are managing all three locations.

This will be good for them because they are making more money. This also will not require three times the work because they are more efficient at their jobs simply because they've done this before, and they do it well. This will be great for you because you do not need to go through the painful process of hiring another person to duplicate the same job.

Every time you decide to grow, you must do a financial analysis. You must do the pros in the cons and seriously review the ups and the downs. You must look at the added stress and strain this will put on yourself and your family during the growth process. You must look at the possibility of the business being hugely successful and the business being a complete failure. When you decide to grow, and you decide to take a risk, you need to look at if you can afford to lose the money you are now going to invest.

One of the most important things you must do is "Know thy banker." To grow, you will need money you will need support and you will need a lot of patience, stamina, and pure guts!

Funding your journey

As stated above, "Know thy Banker!"

When looking at how you are going to fund your business, it usually starts with your own personal monies. For me, I started my business with four (4) credit cards and a prayer. My husband (who was my boyfriend at the time), was extremely supportive. We were both young lawyers, and we decided that I could be the risk-taker and he would have a steady income. Having support is KEY! And, I do not mean just financial support, I mean emotional support.

When I needed to grow, I asked my parents for money. Family or friends is a good place to start when needing funds. (Hopefully, these people believe in you.) As you can imagine, this is scary and gets a little risky, but you need to determine if you can afford to pay them back yourself.

Don't forget that you will make mistakes. Embarrassing and costly mistakes. That's just a given whenever you start a new project, but funding your journey takes an investment. And at some point, you will outgrow your family or friends. You will need to go to a bank.

"Know thy banker". Start out your business by borrowing a small amount of money from a bank. Make sure it's a small enough amount of money that you know that you could pay it back easily. Then slowly increase the amount of money that you are borrowing from the bank and paying back. And make sure you pay back the loans completely on schedule with a smile on your face. Go back to the bank and personally pay back the funds when they come due. And pay them back early if you can.

Bring your banker cupcakes (or kale chips) and get to know them. You want them to always recognize you and to trust you. Chat with them about your business. Let them feel involved.

And PLEASE do not show up in spandex or workout shorts – show up professionally. Look like them – wear a dress shirt and pants. Remember, you are a serious business owner.

And always payback your family members first. And pay back your friends next and then make sure if you borrow any money from a bank, you pay it back regularly with a smile on your face (as mentioned!) Because it's some point in time you are going to need your family, your friends or your bank on a larger scale... At least I hope so!

Advantages and disadvantages of your model

SCW Fitness Education chose a business model focusing on group exercise instructors. And unfortunately, group exercise instructors are the lowest paid employees and independent contractors at health clubs. Therefore, as we run events, we must do our best to keep our cost low for our clients. If we had chosen to focus more on personal trainers or club owners, we could charge more for our events offer fewer sessions and make more money. This is one of the disadvantages of having our events focus on group exercise.

However, one of the key benefits of choosing our GX business model was that I personally was and am a group fitness professional. I know the ins and outs of group fitness. I live eat and breathe as a group fitness instructor for Yoga, Aqua, and just about every modality out there. Having a passion and a purpose in this industry definitely has its benefits because growth has been easier.

Lessons learned

Looking back and analyzing what I might change if I could start over it was so long ago I don't know where to begin.

There are so many things that I feel very proud of. I have never fired a person out of anger. I always wait at least a month, try to convert people, try to improve their performance, try to fix whatever is not working and then finally, we fire them. I wish in the past I had been smarter about hiring and firing.

Every business book and magazine I read tells us: "Be slow to hire and fast to fire." I wish I had and could follow this wise advice. I kinda work in opposition.

It was and is the hardest for me to let people go when our business outgrows the staff. You will find that as your business expands, you will both grow out of your physical

location, and grow out of your people. You will discover that many employees will not have the skillset to expand with you. They may not be able to handle the stress or the intellectual demands or simply may not be willing to learn and grow.

I wish in the past I had been quicker to respond when someone needed to be let go. I wish that I had recognized and realized this sooner. But I know in my heart, I believe deeply in change. I believe in the ability for a person to evolve and improve, and what I realized over time is that this is not always the case.

My husband always told me (and continues to tell me) that “people don’t change.” And unfortunately, more often than not, I have had to come to that same conclusion.

So now what I do is shift people into a different role to keep them.

But most importantly, I always feel confident that I gave someone a chance. I go to sleep at night believing that I had done my very best to “save” someone. I am very proud that I have never overreacted and fired someone in anger, but I do wish that I had realized early on that firing is part of your job. And frankly, it is the most difficult job, and you will never get used to it.

Hiring is fun! Trying to figure out where someone fits into your business is fun! Watching your business is exciting and challenging and worthwhile.

Evaluate a particular business model strategically to decide whether or not to move forward

Whenever I’m looking at a business model (or a project) and determining if it will work, the first thing I look at is what happens if it fails. I want to see if I have enough money to lose my entire investment. I have four children and a husband of 41 years. Currently, I have 20 staff, and when I owned Les Mills Midwest, I had 78 staff. This is a lot of responsibility. These wonderful people that have worked or work for me rely on their income to pay their rent or mortgage, send their kids to college and put food on their table. Your decisions affect them all.

Therefore, I do an analysis where I look at the best-case scenario and the worst-case scenario. Then at least I go into the project with open eyes. I would love to put on blinders and support my passion and my love of fitness and embrace my enthusiasm for new and exciting projects, but these blinders are just what they are... Blinders! You must always go into a project with your eyes open. You have responsibilities to yourself, to your family, and to your team. Not to mention your bank!

And never forget that you will make mistakes – you will fail 9 times out of 10. Get used to it and learn to move on.