Comparative analysis of an asset management system designed for health club and fitness markets

How best to offer equipment and facilities that look and work good-as-new?

FITNESS ASSETS MANAGER

Provided by:

Executive Summary

This report focuses on the impact of scheduled preventive equipment and facilities maintenance on profits, customer retention and employee performance.

It concludes that a thorough, well documented program of regularly scheduled inspection and preventive maintenance offers greater financial payback than various other replacement and maintenance options.

A dependable, fresh-looking facility also improves customer satisfaction, while poorly maintained equipment and surroundings may have a bearing on legal issues.

The options: New, Refurbished, Repair, or Maintain?

Buying new: Continually buying new equipment is convenient and promises reliability, but does not maximize profits. Users' perception of difference between new and well maintained older machines (including differences in feature sets) is minimal, if any.

Buying refurbished (or refurbishment): Prudently pursued, this purchase strategy can be even more complex than buying new, and brings its own set of risks.

Repair as needed: Simply running machinery into the ground is perhaps the most costly of all: a consultant to Texas A&M University reports that ***a repair strategy is 30 times more expensive than regular maintenance.***

Preventive maintenance: The "Maintain to Obtain" strategy offers greatest opportunity for cost recovery. Properly scheduled maintenance of existing equipment preserves like-new appearance and considerably extends service lifetime (typically 5 years for most equipment).

In addition to financial advantages, preventive maintenance offers safety benefits, possible insurance advantages, and improved staff efficiency, morale, and retention. The strategy includes the recreational equipment and the facility itself.

Methodical implementation of preventive maintenance

The first step in such a program is to establish a baseline by inspecting current facilities, surveying customers and staff, and benchmarking other enterprises.

It is critically important to formally record all care and recommended maintenance procedures, including meaningful guidance for employees to follow them.

A detailed maintenance logbook is essential to proper conduct of an ongoing preventive maintenance plan.

The process of tracking preventive maintenance procedures, scheduling their implementation and recording their history is greatly facilitated by computerization, using a program specifically designed for recreational facilities. The further benefits of clarity and ease-of-use will help ensure thorough performance and maintain high employee morale.

In turn, these benefits will enhance member satisfaction and minimize expenditures, enhancing the facility's return on the investments it so maintains.

Details

It's economic crunch time.

But, as you know, crunches leave you stronger.

Sound purchase and maintenance practices will help keep your business fit.

When customers become scarcer and profits begin shrinking, an enterprise will benefit from a complete evaluation of the its business and operation practices. Looking forward, the findings will benefit the organization in good times and bad.

In a recreational facility, any such evaluation should include a review of maintenance practices and criteria for buying recreational and operation equipment. This report summarizes various considerations involved in such a review, particularly the impact of scheduled preventive equipment and facilities maintenance on profits, customer retention and employee performance.

What is the best way to offer keep customers happy with your surroundings?

A fresh-looking facility improves customer satisfaction. Operators of health clubs and other recreational facilities of all kinds (including private clubs, public and educational facilities, pools, camp grounds, etc.) attest to the positive impact of "looking new." This applies of course to the exercise equipment, but also includes the physical surroundings, such as dressing rooms, entrance, even the parking lot, and physical plant, such as HVAC and pool facilities.

Patrons see an out-of-order sign as indicative of poor or poorly maintained equipment. Employees should be advised to remove any out-of-service equipment from the floor pending its repair. Better still, management should do everything reasonable to assure that equipment does not fail in the first place.

Citing Gail Fast in Fitness Onsite Magazine, Fall 2004 (A Little Prevention Goes a Long Way):

> *"For a fitness center member, there is nothing more annoying than trying to use a piece of exercise equipment only to find a sign on it that says, "Out of Order". If it happens repeatedly, there is a good chance that the member will find the facility unreliable and unresponsive. Let it go long enough and you will probably lose him or her for good!"*

The prudent facility manager also considers the issue of legal liability. While a full exploration of legal issues is beyond the scope of this report, we note that author John Wolohan includes the following considerations in his "Legal Liability Checklist" in the book Health Fitness Management (Mike Bates, editor):

- Is all equipment inspected regularly?
- Is a standard procedure in place to respond to discover of unsafe equipment or dangerous conditions?
- Are safety inspection records documented and kept current?

Some managers even go so far as to forego regular maintenance of equipment, in favor of frequently purchasing new equipment in the belief that it is easier than maintenance and that nothing looks newer than "brand new."

(However, as should be obvious to the reader, although brand new equipment may reduce the chances of legal liability claims, it does not in itself satisfy the three liability concerns itemized above.)

Should you buy new equipment, buy refurbished, repair, or maintain?

Option 1: Frequently buy new equipment

Continually buying new equipment does have the advantage of convenience, and reliability is reasonably assured without the need for detailed maintenance. If a new machine does need repair, it might even still be under warrantee. Meanwhile, the replaced equipment often has some resale value.

But does continually buying new equipment help maximize profits?

To begin with, do customers notice? It is unlikely that they care if the machines are still under warranty, so the question comes down to one of features and appearance. Remember that members are cognizant of the overall workout experience, not focused strictly on all the latest bells and whistles of a particular machine. Fresh decor and even upholstery might actually be the greater influence on their satisfaction.

As for the net cost of buying new equipment, Author Mike Bates, in his book *Health Fitness Management*, reports that in trading in used exercise equipment, you are likely to receive 35% to 65% of the original purchase price. Also consider the costs of used equipment mentioned below. You are ***not*** likely to receive more for your old equipment than you would pay for comparable used equipment yourself.

Option 2: Frequently buy refurbished equipment

Another option is to purchase used, but refurbished equipment. Although it won't be the latest model, it may offer the advantage of renewed reliability (assuming the seller itself is trustworthy). Among your considerations in this option are:

- selection
- machine history, including location, frequency of use
- documented maintenance history, if any
- standards used for machine evaluation (or definition of "refurbished)
- anticipated remaining lifetime
- seller's support, reliability, and warranty, if any
- other purchaser's satisfaction with seller
- seller's own longevity

As this partial list shows, going the refurbished route is unlikely to be simpler than buying new, and without clear knowledge of service history and useful remaining life, might require significant attention during your ownership period.

(Mike Bates reports that *used* equipment can cost as little as 10% of the price of new. However, he does not characterize this low end as "refurbished," and in any case the above concerns remain.)

Bates also observes that for some facilities, there is an alternative "refurbishment" path -- which is to have your old equipment restored by one of various companies specializing in such services. According to Bates, this option saves approximately 30% of the cost of new equipment.

Option 3: Repair equipment as needed

Simply waiting for equipment to fail, then repairing it, may seem a tempting option.

But as Kelli Anderson writing in Recreation Management magazine cites,

> *"According to one consultant at Texas A & M University's managing maintenance program,* ***the difference in repair costs vs. maintenance costs is 30:1.*** *Ouch." [emphasis added]*

Ouch, indeed.

Anderson does not say if that 30:1 ratio includes losses due to downtime, which in any case should be factored in.

Also inherent in a repairs-only strategy is its detrimental effect on members' image and employee moral. As noted above, failed machinery can only make a bad impression, suggesting that the facility's overall condition and expertise are equally suspect.

Option 4: "Maintain to Obtain" — Get full service life from existing equipment

The fourth option is to properly maintain existing equipment, thus preserving its like-new appearance and extending its service lifetime. Properly scheduled preventive maintenance extends equipment's life considerably.

The situation is frequently likened to owning a car -- no vehicle is expected to function well for its full lifetime without a regular schedule of preventive maintenance.

According to authorities such as Mike Bates, most exercise equipment has a usable life of 5 years. Some brands have greater life expectancy and salvage value than others.

The warranty period may be used as a general guide, but Bates notes that there is no "ironclad" way to predict useful life. Actual usage varies from piece to piece, depending on a number of factors, including which type of equipment is currently in vogue.

All such estimates presume proper care and prescribed maintenance over the equipment's lifetime. And thoroughness in the execution of the preventive maintenance schedule can only extend the useful life of equipment yet further.

"Just by maintaining a clean, functioning wax nozzle on a treadmill can mean the difference between 2,000 and 6,000 miles on the belt," according to Reggie Borish, who is Life Fitness' national support manager in their customer support services department. With the average cost of replacing just one treadmill's belt and deck exceeding $715, the annual savings of preventive care can be significant.

The benefits of preventive maintenance

Preventive maintenance, including inspections, also has safety advantages. Better to inspect selectorized strength training cables once a than to have one break in use.

(With a comprehensive, thoroughly documented preventive maintenance program is in places, management might inquire with the operation's insurance provider as to a possible reduction in liability premiums.)

While a large facility is more likely to have dedicated maintenance staff specifically trained in equipment maintenance, a preventive program is also of major importance to small facilities — having to pulling staff away from reception or training duties is hardly impressive to members and thus not a positive influence on profitability.

As defined in the book *Health Fitness Management*, edited by Mike Bates, preventive maintenance differs from general maintenance in that the former applies to tasks "established by the manufacturer's recommendations and should be followed to maintain the life of the equipment, whereas general maintenance improves and preserves the facility."

For the purposes of this report, however, the two objectives may be reasonably combined — both having an impact on profitability, facility members' experience and optimum uptime.

And, unlike an office building, a health club requires continual attention to maintenance and upkeep, being a retail in constant physical use throughout the day.

Implementing a methodical approach to preventive maintenance.

It is often said, "You can't manage what you can't measure." While management experts argue over the universality of that statement, most agree that what can be measured, should be.

The first step in this is to establish your baseline. Conduct a thorough review of your situation, noting the condition of all equipment and facilities, by making thorough inspections.

Conduct a customer-satisfaction survey. Employees' eyes can be inured to symptoms that customers and prospects see immediately, even if they would not otherwise tell you (or if they do, their comments may not make it to the office.)

Staff input is also critical.

Another source of baseline data is to do "benchmarking" -- a comparative review of the services, supplies and practices employed by your competitors and/or industry standards. In addition to providing possible competitive insights, benchmarking facilitates the identification of best practices within the industry.

Important as a first step, such surveys should also be ongoing. "These surveys and inspections need to be scheduled a regular part of the facility maintenance calendar," says Anderson, "culminating in a formal, annual evaluation." Anderson notes that consistency is one good measure of positive results.

Of critical importance in the baseline review is the recording of all care and preventative maintenance recommended by the manufacturers of your equipment and facilities.

A formal record of these procedures should be created, including service intervals and any special guidance for each procedure.

Citing the advice offered by Gail Fast in *Fitness Onsite Magazine,* Fall 2004:

> *"How do you spot potential problems and where do you start? First, begin by creating a Preventive Maintenance Schedule. On it, list each piece of cardiovascular and strength equipment. Determine what preventive maintenance should be done daily, weekly and monthly. If you have it, reference the manufacturer's manual of each specific brand to help you customize your schedule."*

Note that different machines may have different service intervals, and recommended care and service methods may differ from common practice (e.g., the use of a silicone-based lubricant rather than WD-40, or a lanolin-based cleaner instead of alcohol).

Also, task parameters should be specifically defined, rather than left to an employee's subjective evaluation.

"'A clean bathroom.' That's too vague and subjective," says Debbie McLaughlin, acting director of the park and recreation department in Miamisburg, Ohio. "We ask, 'Is it free of clogs, debris and all amenities cleaned and sanitized?'" McLaughlin also advises providing employees with laminated copies of all standards.

Maintain a detailed maintenance logbook.

With these and all the other tasks involved in tracking, implementing and evaluating a maintenance program, the ongoing effort might seem daunting.

"In its totality, all the details are overwhelming," says Mike Gilligan, general manager of Wheaton Sport Center in suburban Chicago, "but when you break it down—section it off by area—divide it, assign it with signed and dated checklists, and have a purpose and a plan, you can do it."

The book Health and Fitness Management advises beginning with the following improvement objective:

> *"After conducting a complete needs analysis and determining viable project feasibility, identify and conduct any improvement project that will pay back the initial investment in 3 years or less."*

Better yet, computerize it.

One solution to the "details issue" is to computerize the checklist/logbook processes, using a program specifically designed for recreational facilities, one that incorporates all maintenance areas and functions, including the ability to create and distribute notes and instructions pertaining to specific equipment, and to add notes and new equipment and procedures over time.

In addition to assuring an orderly process, a computerized system can also improve maintenance employee performance and overall employee morale. Receiving clean printouts of the schedule and notes assures the same clarity as laminated copies. It also conveys management's dedication to the process, as well as a sense of professionalism and pride.

Whatever method is used for keeping track of maintenance and prompting tasks on schedule, some method is essential.

To begin with, everything has its own maintenance schedule, and knowing what's next at a glance enables management to assure timely attention without wasting employees' time on redundant or unnecessary tasks. For example, a lubrication system's wax nozzle may need cleaning once a month, belt tensioning checking every 10 weeks, deck wear every four months, pedals every other month, and cables and guide rods cleaning and benches adjusted every other week. Without a system, something is sure to be overlooked. Or worse, the whole program might become confusing to employees, inviting less than complete performance.

Conclusion: Routine preventive maintenance is most cost - effective.

We concur with the conclusion offered by Fitness Onsite Magazine:

> *"A little prevention will go a long way. By performing routine preventive maintenance, you will extend the life of your equipment, minimize costly repairs and more importantly, keep your members happy and exercising!"*