

# THE VOICE

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**SPOTLIGHT ON  
GOLD'S GYMS  
LAWRENCEVILLE,  
HAMILTON MILL  
& PEACHTREE  
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# COLLECTING PAST-DUE MEMBER CONTRACTS WITHIN THE GYM INDUSTRY



*What type of an agency should you select to represent you?*

**BROUGHT TO YOU BY:**



**First Credit Services**

All Gym owners must select an agency that understands “their” business. There are over 6,000 collection agencies out there, and they all specialize in different niche businesses. There is no way an agency can do an effective job collecting Gym Contracts unless they have the required experience and infrastructure.

## **IS IT REALLY A SMART IDEA TO SUE YOUR MEMBERS WHO FAIL TO PAY ON TIME?**

On the surface you may believe a law firm can out-collect a traditional agency, but the fact is..., it’s not true, and definitely not worth the soon-to-follow backlash within

the community.

Running a gym business is 100% dependent on your good reputation in the local community, and it isn’t easy. It is important to put yourself in the member’s shoes as often as possible and decide what would motivate YOU to pay, and not leave a very bad taste in your mouth. Now, we can all agree that there is a definite need for collection agencies to help gym owners recoup some of their losses, but most gym owners would also agree that they would never sacrifice their membership growth or their good name in the community just for a few extra bucks.

So, let’s weigh the pros and cons of partnering with the different types of collection agencies out there.

**Top 5 Key Questions to ask your prospective Collection Agency Partner, if you want to ensure that you are working with an agency that “REALLY” understand how to collect past-due gym contracts.**

1. How many gyms do you currently work with? *(In order to be an expert, the answer better be well over 1,000)*
2. How many representatives work for your organization? *(I would hope to see at least 50+ Full time Call Center Representatives to ensure your accounts will be worked properly)*
3. Do you participate in Gym Industry Events such as IHRSA, Club industry, etc.? *(It is important to meet gym owners and truly understand what they want/need)*
4. Are you the “preferred vendor” for any franchises or large gym chains?
5. Are you fully integrated with “my” Club Management Software Provider? *(This is an absolute must!)*

## **SMALL LOCAL AGENCY**

You have your local agency who may know your community inside and out, but they certainly won’t have a good understanding of the Health & Fitness Industry or have the ability to negotiate effectively with your members. Also, they probably won’t have the technology or staff to manage your accounts consistently. With a small/local agency you will likely see major swings



in the amount of effort placed on your accounts. Small agencies don't have the ability to SCALE-UP or SCALE-DOWN quickly, so the only option for them is to stay small and squeeze as much as they can out of their undersized staff. What does this mean to you? Simply put, your accounts won't get worked very hard for a consistent period of time, and you will know after a few short months that you made the wrong choice. Gym Member Contract Collections is not an easy task, and you must find an agency that has a lot of experience within your industry.

Also, most good Collection Agencies specialize in certain niche business sectors, and a local agency does not have the luxury to specialize in just one industry because they won't find enough business in the local economy to keep them afloat. How can a company become an expert if they are dipping into so many different industries like all local collection agencies must do in order to survive?

There are also state laws and mandatory licensing and bonding for collection agencies in most states. A local agency does not have the capital to invest in maintaining all of the licenses that are required in order to expand into additional states.

Local Agencies like to sue people too..., so, watch out for a truly negative experience if they convince you to try and sue a member after only a few months.

Don't let them talk you into Lawsuits for Gym Memberships. If an agency starts suing gym members, just think about the negative effect it will have on the whole gym industry. We will discuss this further in the next section.

## LAWYERS OR COLLECTION AGENCY LAW FIRMS



This is an important item to cover more thoroughly. As stated above, Attorneys and Gym Contracts don't mix! You may believe a law firm would make a major impact, and collect from more members, but it's not necessarily true, and most people would be offended if their local gym referred accounts to a LAW FIRM! That is outrageous! And, I would certainly spread the word quickly to my peers, and before you know it everyone in town associates your gym's name with getting sued.

At the very least this will cause the Government to step in and force us to change the language we all use in our member contracts, or eliminate the annual contract altogether. Too much negativity surrounding the Gym Contract will ultimately hurt the industry terribly.

So, stay away from an agency that even mentions a lawsuit in the gym industry.

What do you think suing members would do to your membership growth? Now, I won't bore you with all of the legal pitfalls a Law Firm or Network of Collection Attorneys has to deal with when trying to adhere to the Fair Debt Collection Practices Act (FDCPA) which governs the ethical and unethical practices of collection agencies in the United States, but when a member receives a collection letter from an attorney they certainly feel threatened. The FDCPA states A collection attorney cannot scare or mislead a consumer into thinking they might be sued without following through on that lawsuit, and

since most annual gym memberships are less than \$400 contract value, how would the attorney be able to sue for a gym membership even if they charge you 50% or 60% of the balance...? So my thought here is that the local attorney won't really sue anyone with a balance below \$500 which will end up being a major FDCPA Violation which will ultimately lead to your members suing your collection agency and naming you as a defendant. Not a good way to build a trusted name in the community, Right?

Now, there might be a point in your business relationship where suing for past-due contracts "may" make sense, but to threaten a law suit just a few months after a member defaults is unheard of in the collection industry, and Gym Owners should be aware! Don't get sucked into this practice too early in the billing cycle. Credit Card Companies, Healthcare Providers, Utility Companies, etc. would NEVER consider allowing an attorney to contact their customers until a debt is over 2-years old. So then, why would you allow a collection attorney to swoop in so quickly and soil your good name with your members?

Most of the Collection Attorney Networks in the country don't have the ability to work accounts very long internally, so in order for them to make an impact they will recommend lawsuit within the first year of delinquency. I am sorry but that is way too early in the billing cycle, and most consumers, including Gym Members will realize that.

And don't be fooled. A judgment from a judge still needs to be collected anyway! If you want to make a more appropriate

impact you can simply find an agency who is willing to Credit Report for you. Credit Reporting is a very effective tool in the Gym Industry because most consumers (who have the ABILITY to pay) still care about their credit standing. And a negative mark on someone's credit report will last for seven years. You will continue to see collection revenue for years to come.

### THE BEHEMOTH COLLECTION AGENCY

This is easy. They won't care about you as a gym owner. Even if you own a dozen



gyms, these large agencies won't care about servicing your accounts. They are busy dealing with the Fortune 500 companies that place \$200 Million

in debt with them each month. They don't have the time for you. Let's just say they're on Steroids, and they only care about themselves!

### ALL "GOOD" COLLECTION AGENCIES SPECIALIZE IN NICHE BUSINESSES

When any company (large or small) reviews and selects a collection agency partner, they have thousands of agencies to choose from, but as an educated buyer starts to weed through the muck and figures out that 99% of the agencies out there don't really understand their business, it is important to look for a trusted vendor within "your" industry. As a Gym owner you know that you need a reliable partner who understands what is important to you, and that your main goal is to grow your membership base and never alienate your friends in the local

## WHAT SUPPLIERS ARE SAYING ABOUT THE OWNERS' CONFERENCE...



"The Owners' Conference in New York City is truly a display of champions. They are individuals that have a passion for growing the Gold's Gym brand, a commitment to ethical business standards, and a spirit for the success of all of their members. It was a pleasure to partake in the Owners' Conference and to be a small part of this outstanding organization."

*Craig Shaddy, Sales Director  
Club Insurance*

community. Most collection agencies that don't specialize in the gym industry combine your member accounts with Garbage Companies, Utilities, Healthcare, Speeding Tickets, Credit Cards, and other debts that have absolutely nothing to do with the GYM industry. Do you really believe their collectors will take the time to completely understand the gym accounts they received from you last month? Do you believe they care about keeping that member happy and helping you to get that member back on EFT? They just want their money, and that is all they will ever care about.

The good news is that there are a select handful of reputable agencies in the US that specialize in the Gym Industry. Just don't settle for anything less than an agency who really understands you and your business. Your reputation in your local community matters and you must make every effort to ensure that all of your vendors have similar

goals and fully understand YOUR needs when representing you.

*Bill Jackson Director of Sales [wjackson@firstcreditonline.com](mailto:wjackson@firstcreditonline.com). First Credit Services (FCS) has been dedicated to supporting the Health & Fitness Industry since 1993. We are proud supporters and partners with many industry organizations, and we represent thousands of Gym Clients throughout the U.S. FCS has the operational capabilities and staff to maintain consistent results for every client for which we represent. This white paper was written to help our friends in the industry better understand the impact a superior collection agency partner can have on your business, and the pitfalls created by the less desirable agencies out there. We are dedicated to helping the Health & Fitness Industry prosper for many years to come. First Credit Services knows the Gym Industry!*

## WHAT SUPPLIERS ARE SAYING ABOUT THE OWNERS' CONFERENCE...



"The Gold's Gym Owners' Conference is a great way to connect one on one with a committed and focused group of owners, making it one of my favorite events of the year."

*Dana Milkie, Senior Vice President  
ABC Financial*