

# Jeff Metzger's Business Tips

## Designing a Registration/Payment System that Works: Part 2 of 3

**Reality #1:** There is no reason for a company in our industry to have an accounts receivable problem. To visualize why, consider two extremes: (1) an industry which manufactures goods having a long, expensive production cycle such as, say, jet aircraft; and (2) retail stores such as, say, Starbucks. It is easy to visualize that the jet aircraft industry will not be able to collect payment before it incurs huge production costs. On the other end of the stick, Starbucks can very easily require its customers to pay before the product walks out the door, forever ensuring against A/R. Where does a GymClub fall on this continuum? Wherever it chooses! GymClub ABC might create a registration/payment system which requires payment before the product is delivered while GymClub XYZ is happy to deliver the product first and then 'chase' the dollars in some manner.

**Reality #2:** A registration/payment system must have 'TEETH.' It is naive to believe that clients, collectively, will pay a bill on time simply because they were asked to do so. A system must offer a COMPELLING REASON to pay and pay on time. In other words, 'TEETH.'

There are two opposite 'assumptions' upon which a registration/ payment system can be based. At the end of a period (month/session): (1) a student will be returning to the program and will be 'carried forth on the roster' unless notification is received; (2) no assumptions are made. When no assumptions are made, figuratively speaking, on the last day of a period, the class roster is wiped clean and the only way back on is by payment of tuition. In 1975, I opened my GymClub afraid to do ANYTHING which might possibly sow into a client's mind ANY fragment of the idea that our company might terminate their participation for ANY reason including-gasp-failure to pay! The results of this naive approach, I now know, were predictable-a progressively larger A/R. It took me about two years to see my mistake and muster a change. Today, at Kids First Sports Center, just like a University, our system assumes nothing until money changes hands. The 'teeth' is the prospect of not getting your first class choice coupled with the knowledge that your child won't be permitted to participate until payment is made. Note, of course, this system, as well as any system, if not IMPLEMENTED, will fail miserably.

FYI, following are other examples of 'teeth' I have seen used by GymClubs and Swim Schools across the USA, Australia and Canada. An incentive for timely payment (be careful, this can be FAR more costly than what meets the eye); a penalty for late payment (strongly NOT recommended); collect the 'last month's' tuition up front coupled with a 30 day drop notice policy (similar to an apartment lease and security deposit); electronic funds transfer; auto deduct from a credit card on file.

Next month I'll discuss the potential downside to Kids First's approach of 'assuming nothing', and what we do about it.

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