

# Direct debit: should your members pay?

**‘SHOULD OUR MEMBERS PAY?’** This is a question frequently posed by fitness facility owners and managers in relation to direct debit costs. It’s a straightforward question and really should have a straightforward response, but the answer actually always starts with ‘It depends...’ because there are a number of factors to be considered when thinking about getting your members to pay for their direct debit fees. These include and are not limited to;

- Are you in a start-up phase?
- Are you taking over a facility with an existing base of members used to paying for direct debit in a certain way?
- Do you want to change the way that your centre currently pays for the direct debit fees?

## Start-up businesses

If you are a start up business then making the decision whether the member pays should be relatively easy. In short, it is better for the bottom line of your business if the member pays the fee as you always know the entire cost is being covered. Emmett Williams, managing partner of Creative Fitness Marketing is a big believer in the customer paying, likening it to paying the service fee when booking a plane ticket online or the service fee that taxis charge when you pay for the fare with your credit card. He suggests, ‘Given it is commonplace in other industries, we are doing a disservice to ourselves if we don’t follow the same principle.’

If you are a start-up business and follow this advice to pass the fee on to your members you have two options of how to do this. Firstly, you can choose for the business to pay but increase the amount of the membership subscription to cover the direct debit fee so that the customer really pays. As Richard Price, project manager at Five Dock Leisure Centre suggests; ‘the business pays (but) you hide it in your subscription.’ If your membership fee, for example, is \$60 per month and your direct debit fee \$1, you would make your monthly membership \$61 to cover the cost of the direct debit fee.

Your second option is to pass on the direct debit fee directly to your customers. So, for example, your monthly membership fee of \$60 is debited from your members account as well as the \$1 direct debit fee. This makes the total amount debited from your members account \$61. The \$60 is then transferred into your bank account with your direct debit provider keeping the \$1 direct debit fee. Some people refer to this as ‘free’ debiting – this is not entirely correct, but it does lead to a cost neutral position for your business.

## Taking over an existing membership base

If you are taking over an existing facility where the business currently pays the fees and you now want to pass the fee on to the members you have a slightly different decision. Again you can choose to pass it on to your members in the two ways listed above. The easiest path to take would be to increase your membership to cover the direct debit fees. For example, you might increase all of your current members’ subscription fees by \$1 to ensure that they are paying for the cost of the fee within their membership. You would also ensure that the membership fee covers your direct debit fees for all new members.

## Changing your current system

Alternatively you might want to change the way that you currently deal with direct debit fees. This could mean taking up the option of passing it directly onto your members if you are currently paying for the fees yourself. To do this you would need to go through a process of change and communication (discussed below in more detail). Across the fitness industry, research has found that 33.7 per cent of businesses have chosen this option. If this is the most profitable option for your business, why doesn’t everyone do it this way? The remaining 66.3 per cent of businesses that choose to pay obviously cover the fee within their membership subscription - but why don’t they just directly pass the cost onto the member?

The answer is that the real barrier to members paying the direct debit fees doesn’t come from the members but from managers, membership and sales staff at the centre. People like you and your team! Williams says that when signing up new members; ‘there is no resistance despite my initial hesitation.’ Adam Wilson, owner of Active Health Clubs states that the ‘Customer pays (for) the convenience of direct debit... and we don’t have any objections from customers.’ Tom McMillan, national sales and quality manager for Advance Fitness Marketing reports a similar experience stating; ‘We used to absorb the fee but have since changed to charging the member. Initially there was some resistance from our staff but once they got used to it, there weren’t any problems.’

Although the majority of businesses have a great sales and sign up process, they still receive some complaints from members about additional charges to their direct debit that they weren’t aware of. It soon becomes apparent that

when they initially signed their direct debit request (DDR) form these service charges weren't explained to them in a clear and confident manner, a point reiterated by McMillan; 'Most people these days are used to paying extra fees... so providing that our staff are clear and honest with the members, we don't encounter any annoyance or surprise. As with all sales, the staff just need to be confident and assumptive 'so with that direct debit rate, there's also a small admin fee of \$1 that is deducted along with it - OK?' If they wince or apologise as they mention the fee (or worse still, don't mention it at all to the member), then of course there will be member backlash.'

So if you are thinking about passing on direct debit fees to your members it is of paramount importance that before you begin this change, you train yourself and your staff not to expect rejection and complaints. Instead, view it as a normal business process as it is in many other industries. If you do decide to adopt this process, then communicating the benefits of the change to both your staff and your members is very important.

### A positive, profitable decision

Creating a profitable fitness business should be the key to your decision. For some, like Andrew MacDonald, manager of leisure services for Adelaide City Council, this might mean ensuring that the members cover the cost of the debits; 'Customers should pay for the direct debit services as there is a significant administrative cost to the business in providing such a service. (However) I'm sure that the benefits of paying by direct debit far outweigh the additional cost'. McMillan agrees and makes the point that; 'since we started charging the fee to the member, our billing income has increased by five to ten per cent so we see it as a positive, profitable, decision.' Not only has their profit increased because their cost of doing business has decreased (with the costs being passed on to the member), their sales teams have also been able to make more sales because they are offering a more affordable payment option to members. Williams makes a similar point saying; 'The consumer pays and the reason we have decided to do that is so the clubs we work with maximise their profit. Maximising the profit of the club owner is important, even for the consumer, as it means better services and facilities in the long run due to a profitable industry'.

### An important choice

The consensus seems to be that the customer should pay for the direct debit service. *How* they pay is another matter. Whether the business pays and absorbs the fee by loading the cost of direct debit into the subscription fee, or whether the customer pays directly through an admin fee being passed on is your choice. It is an important choice and should depend upon what stage in the business lifecycle you are at. The key in passing on the cost of direct debits to your members is to have a sales sign up process that clearly and confidently communicates to your new member what and how much they are responsible for. Whatever your decision, make sure that it is informed and that you are acting to maximise your business profit. Doing so will leave you with more money to reinvest into your business, thereby ensuring that your members stay with you for the long term - even though you're passing your direct debit fees on to them! ■



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