

Being Lean and Mean: How to Increase Profits and Reduce Expenses!

This month's Black Belt Management report was written by NAPMA member Korbett Miller of Seattle, Washington. Mr. Miller's school has retained a net profit that often borders on 60 percent of his gross revenue, a noteworthy accomplishment. Mr. Miller offers his insights on school management and some advice on how you too can become "lean and mean." — NAPMA

What do I want out of my business? When I started my school five years ago this was one of the primary questions I sought to answer. I came up with three primary goals:

1. I wanted to earn enough income to adequately support my family.
2. I wanted to conduct my business in a way that created a balance between work and family time.
3. I wanted a business that still gave me the freedom to pursue other endeavors.

To make that vision come true, I decided I needed to enroll and keep 250 students at a minimum tuition of \$100 per month and to keep business expenses to a bare minimum. I started my school on a "lean and mean" philosophy and, I'm happy to report, I have met those three goals and have even managed to keep approximately sixty percent of my school's gross income as profit (something my accountant calls "out of the ordinary"). To me, less is more when it comes to running a martial arts school. Less time; less overhead; less staff; less advertising; and less space. Less headaches too.

I think that sometimes we forget that profit is why we're all in business. Yes, we are also motivated by the good we do for our students and our communities, but heck, we could do that just as well if we taught in our back yards. We're in business to make a profit. The way I make a profit is to manage my business and time very carefully. I'm constantly on the lookout for ways to increase my income while keeping my costs low. I'm

not into being in business just to work longer hours and to invest more than I can afford in equipment, facilities, payroll and all the other profit killers.

To operate in a lean and mean fashion you have to, as they say, "dot the I's and cross the T's." While the kind of details you have to pay attention to may vary depending on your skill as a manager, your knowledge, your motivation and other variable factors, there are some universals everyone can benefit from looking at. I'd like to suggest you begin your lean and mean diet by considering the following ten points:

Know the Difference Between a Balance Sheet and a Bed Sheet

That may sound flippant, but the truth is that far too many instructors either can't read their business's balance sheet or they don't have one at all. School owners who want to run their operation in a lean and mean fashion have to have a working knowledge of bare-bones, basic accounting. If you can't generate an income statement for your school on an ongoing basis, how do you know how well you are doing? How do you figure out where your expenses are out of line? My wife has our entire business set up on QuickBooks so that if I want to know how many t-shirts we sold in July of 2011, or what my net profit was for any month of the year, I can find out in 15 seconds. Here's what you can do:

- Consult with a bookkeeper or accountant on how to begin. They may get you started in your own accounting program for a nominal fee.
- Buy and learn to use a computerized accounting program.
- Go the extra mile and take an accounting class at your community college.

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- Most importantly, decide today that it's time to become an expert on your own business. Decide you're going to master your accounting (or die trying).

Determine if You can Lower Your Rent

Rent shouldn't be a lot more than 20 percent of your school's gross revenue. Many schools are paying way too much for rent. It's almost as if some people try and make up for an inadequate advertising program by paying a premium for their business space. Ask yourself if being in an expensive strip mall is really the best thing for your business. My school is located in a business park less than a quarter mile from the freeway and just blocks away from a warehouse club store (the universal landmark for our community). I pay half of what I would pay if I were located on a busy street or other such "prime location. After 5:00 p.m., all the businesses in the complex shut down, so I have around 100 parking spots at my disposal. Here's what you can do:

- Find out if you're paying more than twenty percent of your gross income on rent. If you are, take a long look at your facility. Is the exposure worth the premium you're be paying for rent? That money's going into someone else's pocket, while your investment fund is begging for more fuel.
- Start searching your area for available real estate, even if you're currently in a lease. Talk to other tenants in desirable renting areas and find out what they're paying and how they bring in business. This will tell you if you're currently paying a fair rate or if there are affordable alternatives.
- Begin to talk to your landlord about reducing your rent. You'll never know unless you ask (but wait to ask for a week or two while you prepare your plan).
- Use the NAPMA member forum to find other people who have successfully renegotiated their lease or operate their schools in less expensive, non-prime locations.

If you are worth it (and you are), charge top dollar for your lessons

I have a great adult program, but primarily I teach a lot of children. To me, if you use NAPMA's Little Ninjas®

program, you are changing children's lives. You're adding tremendous value to their lives. If you can motivate kids to be better people, you're worth every penny of \$100 per month (minimum). Here's what you can do:

- Just go for it. Raise your prices and bite the bullet.

If you're unwilling to take this step, raise your prices just one or two dollars per class. If you had 100 students paying two dollars per class more for three classes a week, you would see an increase of \$28,800 in income per year.

Discount Tuition Cautiously

I know of schools that give 50 percent off for second and third family members. That's way too much. I give a 10-percent discount for the second family member. If someone is having a challenge affording tuition, I will always try to accommodate him or her, but not for free; they must do something to contribute to the school, like cleaning, handing out flyers, and so forth. Here's what you can do:

- Change your policy today for all future students. What is your family discount? Can you discount less, yet give those people the opportunity who cannot pay the ability to train while still contributing to your school?
- Send a note to all family members that their tuition will be increasing at the end of their current agreement.

Reduce Your Paid Staff

It's time to get lean and organized! You can accomplish more in less time when you get yourself together as a manager of your own resources and the people around you. If you get organized, you'll have more energy to teach. When you start teaching again, you're going to remember that you LOVE TO TEACH! Let me tell you, too, when I started getting very organized with my leadership team, I started getting better help on the floor from people I didn't have to pay full time (or at all!). When my payroll went down, my profits went up

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and I had even more fun teaching. Here's what you can do:

- Plan, plan and plan again. Plan who you're going to target as helpers. Plan how you're going to make them excellent teachers. Plan on how you're going to bring them on your team. Plan how you're going to help them meet their goals by getting them to help you meet yours.
- Make a list of every possible leadership team member, rate them on an A, B, C scale, and then organize a 90-day training program to make them better students and eager helpers.
- Visit the member forums at NAPMA.com and fish for staff training ideas.

Profit Centers, Profit Centers, Profit Centers!

I can pay for my utilities with the money we generate from selling healthy snacks to our students. Our little Ninja Program brings in more money than our adult martial arts classes. I also teach private lessons as a way of generating additional income. The point is to look at the ways you can add profit generating programs in your school that not only make you more money but take the service you provide your students to an entirely new level. Here's what you can do:

- Polish up your retail display area. It should change weekly.
- Carry healthy snacks at the front desk.
- Put water bottles in ice in a big trough in your pro-shop area. You'll sell water like there's no tomorrow. The same goes for protein shakes.
- Put up a sign offering private lessons.
- Review the NAPMA.com for other profit-making programs.

Get Paid to Market Your Programs

I have a relationship with a local community center program that pays me to teach from thirty to sixty students a month in fitness kickboxing, junior martial

arts and Little Ninjas. Every third month we have a graduation for the students in the community program. This last month I signed up fourteen new students at my school from this program. Here's what you can do:

- Approach your local Parks and Recreation Department and have a ready-made proposal on how you can offer junior martial arts, fitness kickboxing and Little Ninjas classes.
- Again, network with other NAPMA members to find out what other school owners are doing for programs outside of their schools.

Learn, Learn, Learn!

There are so many opportunities to learn from people who have great operations. NAPMA regional directors' seminars can give you turnkey operating strategies for anything from answering the phone to conducting effective staff meetings. Here's what you can do:

- Look in the *NAPMA Now* for the School Growth Calendar commit yourself to attending at least one seminar in the next 90 days. Take your staff, too!
- Network with three instructors TODAY.

Use Direct Mail the Right Away

Purchase a list of families in your area who have children in the household. Mail concise sales letters to them with a compelling offer and then keep mailing to them with (at least) six packets of information and enrollment offers. Here's what you can do:

- Read "How To Get Everything You Want From Everything You Have" by Jay Abraham.
- Read anything written by martial arts businessman, Stephen Oliver.
- Go to a bookstore tonight and buy one book on direct-mail marketing and MAKE yourself read it in one week.
- Go back through your NAPMA marketing packages and choose an ad that meets your school's needs.

Carefully review your Billing Company (if you use one) to Determine if they're Worth the Money they're Charging You.

When we started, my wife said that we didn't need someone taking care of our tuition billing. After three years of late payers, excuses and people asking us to bend the rules "just for them," we decided to use a billing company for our ongoing memberships. Our tuition has increased steadily almost every month since then—even through the recession! But be warned: many top school owners are collecting their own tuition. They tell me that there comes a time when I'll be ready to do it, too, and that I'll then save thousands of dollars a year. They say that EFT's and on-line banking makes the process painless. I can't wait, but for now, I'm still using a billing service. Here's what you can do:

- Carefully evaluate if you have the time and expertise to do your own billing.
- Call all the billing companies and get bids (and don't let them try and convince you that they have the ultimate "management system." They don't. What they often have though is plenty of good ideas. If they want to share them, then take them, just don't pay more for your billing than you have to).

I'm not saying that my ideas for a lean and mean school are for everyone. In the last five years some of my beliefs and practices have changed. My school has started to "mature." Perhaps, as my life changes (and my investments expand), I'll let my school get a little "fleshier." For now, I thoroughly enjoy the lean and mean lifestyle and profitability. I love my life because I am living the vision that I started with five years ago. If it's time for you to get lean and mean, I hope this report gives you the motivation to take action! Good luck!