

A SMALL TOWN GYM'S CHALLENGE

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In 2012 Kira and Rayburn, owners of Momentum 24/7 Fitness and Weight Loss Center in Bayfield, Colorado, were reviewing the results of their recent customer-community marketing program, a spin-off of the popular TV series, *The Biggest Loser*. They, of course, were elated at the individual weight and fat loss successes from the program. However, they were also hoping for some positive outcomes for their business as well.

Kira had opened the small gym about 2 years before on shoestring budget. Starting at 1,000 square feet, the gym gradually expanded to its current size of 3,500 square feet. When Kira opened the gym, she was owner, operator, manager, trainer and instructor. Rayburn joined the gym after about a year as co-owner.

Although they were successful, they still faced problems that a gym in a small community faced. The gym was located in a small market. Along with offering 24-hour access 7 days per week, the gym's market niche seemed to be the personal service the owners gave to its members. As the gym continued to grow, giving the depth of personal service that gym members were used to receiving was becoming more and more difficult to accomplish.

Furthermore, Kira and Rayburn had recently had their first child, Rayburn Junior (affectionately known as RJ). Splitting her time between the gym and motherhood was starting to take its toll on Kira. Kira and Rayburn were finding it difficult to pull in enough income to support their growing family. Rayburn wanted to start his own business as a housing developer. He and his

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brother owned a piece of land in the nearby community of Ignacio, Colorado and they were anxious to start developing it into a neighborhood.

How could Kira continue to *motivate* existing members and, at the same time, bring in new members while dealing with the service issue? Would the business be as profitable if she offered less service and simply sold access and programs the way most other gyms did? Would her current model of contracting with personal trainers and fitness class instructors allow the business to grow while providing the personal service she was known for providing?

Exhibit 1. Momentum 24/7 Fitness Logo



The Industry

Americans had increasingly become health conscious over the past several years. According to the International Health, Racquet & Sports club Association, 12-16% of the population belonged to a gym. Health and fitness clubs were used primarily by adults in the 20 to 64 age bracket (www.ibisworld.com). As baby boomers aged, they became more worried about their health, which translated into memberships in health and fitness clubs. Memberships had increased from 36.3 million in 2002 to 48.3 million in 2017 (www.ibisworld.com).

Although the economic recession that began in December 2007 had had an impact on demand for memberships, other industries were hit much harder than the health and fitness club

industry. Discretionary income and leisure time were important indicators of how the industry would perform; as the economy improved, so too would the industry (www.ibisworld.com).

Demand for gym, health and fitness club services was determined by a number of factors, including “household disposable income, consumer confidence, leisure time availability, participation in recreation and sports, seasonal conditions, attitudes towards health and fitness and the cost of services relative to other recreation options” (www.ibisworld.com, p. 15). Key factors for overall success included “easy access for clients, effective product promotion, economies of scale, provision of appropriate facilities, having a good technical knowledge of the product, and business expertise of operators” (www.ibisworld.com, p. 20).

According to the Bureau of Labor Analysis, the leisure and hospitality industry (of which the health and fitness club industry was a part) had one of the highest employee quit rates as compared to other industries. The percentage of employees who quit during a given month for all private industries was 1.8%, while the leisure and hospitality industry’s quit rate was 3.2% during the time the gym had started to experience personnel issues. The only industry with a higher quit rate was the accommodation and food services industry with a rate of 3.4% (Bureau of Labor Statistics). Therefore, finding and training workers was an issue in this industry generally.

The Town

Bayfield was a “bedroom community” to the larger and better-known tourist town of Durango, Colorado. Durango was a small resort/ski city of 17,834 residents with a per capita income of \$30,272 (U.S. Census Bureau 2014 data). As the county seat and home to a small liberal arts college, Durango had become the governmental, retail, and cultural “hub city” of southwestern Colorado. People flocked to the city for a variety of reasons. The area provided abundant opportunities for biking, skiing, hiking, white water rafting, kayaking, hunting, and fishing.

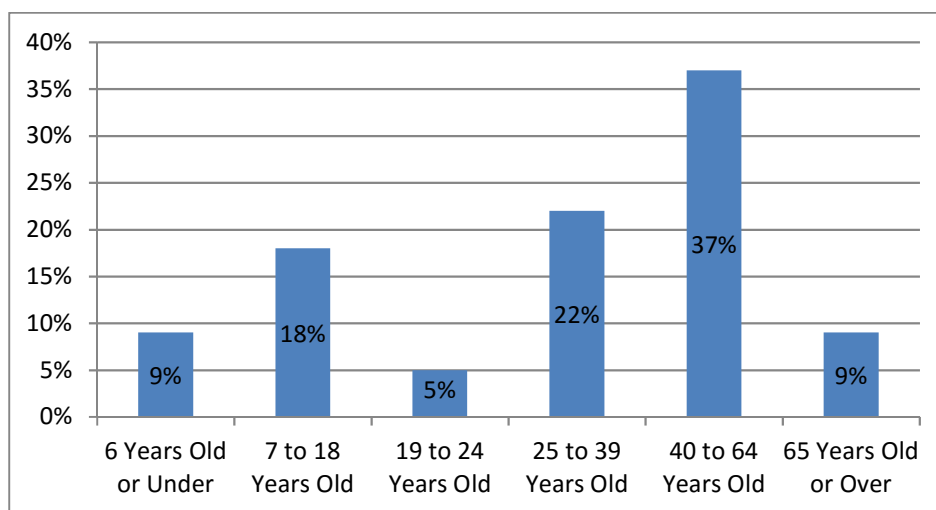
Bayfield was located about 20 miles from Durango. Incorporated in 1906, Bayfield was home to approximately 2,533 residents (2014 data) with a per capita income of \$27,633 (2013 data) (U.S. Census Bureau). The residents of Bayfield took pride in living in a small town atmosphere and in the long-standing sense of community that Bayfield was known for. According to the town's web site (www.bayfieldgov.org):

Bayfield is a safe, livable community, with a small town feel striving to become a multigenerational, diverse community that maintains its values while progressively pursuing ongoing sustainability of economic resources, natural resource stewardship and livability. We are committed to the promotion of a vibrant business community balanced by recreational and educational opportunities in order to foster a unique and complete community for future generations.

The town had taken on a new dimension when people working in Durango began moving to Bayfield to escape the high real estate prices common in a Colorado resort/ski town. These “city” folks had to blend in with the long-time residents, many of whom descended from the original homesteaders of the area. Long-time Bayfield residents were still involved in farming and ranching, and appreciated that way of life. Furthermore, Bayfield had a wide range of age groups (see Exhibit 2). These town characteristics made for a diverse market for Kira and Rayburn.

Exhibit 2. Bayfield, Colorado Breakdown of Population by Age

Source: U.S. Census Bureau



The Competition

When Momentum 24/7 first opened its doors, there were no other fitness facilities in Bayfield.⁵ However, a CrossFit facility opened its doors in Bayfield just after - and not far from - Momentum 24/7. Momentum 24/7's other competition came from two community fitness centers, one in nearby Ignacio, Colorado (about 10 miles away) and the other in Durango, Colorado. (See Appendix B for a map of the area). Both centers were full service facilities subsidized by city taxpayers (Durango) and the Southern Ute Indian tribe (Ignacio), allowing them to charge below market rates. Furthermore, several private fitness facilities were located in Durango (including one that was open 24/7). See Exhibit 3 for a comparison of local fitness facilities.

The Momentum 24/7 Owners

After spending many years coaching clients across the country in other gyms, Kira returned to her hometown of Bayfield, Colorado to open Momentum 24/7, which was her second entrepreneurial adventure. Her passion was helping clients improve their lives through exercise and nutrition. She was a former US Marine Corps officer and US Army Master Fitness Trainer. Before starting her own gym, she taught fitness and nutrition for 13 years, often being in charge of classes and fitness programs at other gyms. She was a certified Strength and Conditioning Specialist and held a B.S. in Kinesiology. Kira also was certified in sports nutrition, group exercise, Pilates, post-rehab training, and massage therapy.

⁵ Momentum 24/7 opened in a space previously occupied by a small fitness facility that had only offered individualized training. This operation had closed its doors only a few months before Momentum 24/7 began operations.

Exhibit 3. Fitness Facilities Competing with Momentum 24/7

Sources: web sites of individual gyms.

Name of Facility	Facilities and Programs	Prices
Sun Ute Community Center	Located in Ignacio. Fitness Classes, Personal Training, Cardiovascular Equipment, Weight Training Equipment, Nutrition Programs, Gymnasium, Basketball Court, Volleyball Court, Climbing Wall, Sauna, Hot Tub, Pool, Indoor Track, Recreational Activities.	Single (Monthly) Membership: One month: \$30/month Personal Training: Fees varied by trainer.
Durango Community Recreation Center	Located in Durango. Fitness Classes, Personal Training, Cardiovascular Equipment, Weight Training Equipment, Gymnasium, Basketball Court, Volleyball Court, Indoor Soccer, Racquetball Courts, Climbing Wall, Pool, Hot Tub, Indoor Track, Recreational Activities.	Single (Monthly) Membership: One month: \$30/month Annual: \$26.67/month Personal Training: Fees varied by trainer.
Anytime Fitness	Located in Durango. Fitness Classes, Personal Training, Tanning, Cardiovascular Equipment, Weight Training Equipment, Wellness Program.	Single (Monthly): Only provided on site when a potential client visits the gym. Membership: Only provided on site. Personal Training: Only provided on site.
Core Value Fitness Center	Located in Durango. Fitness Classes, Personal Training, Cardiovascular Equipment, Weight Training Equipment, Weight Loss Program, Massage, Fitness and Active Wear.	Single (Monthly) Membership: One month: \$155/month With 6 Month Membership: \$100/month Personal Training: \$55/hr.
Durango Sports Club	Located in Durango. Fitness Classes, Personal Training, Massage Therapy, Cardiovascular Equipment, Weight Training Equipment, Fitness and Martial Arts Classes, Physical Therapy, Racquetball and Handball Courts, Basketball Court, Jacuzzi, Steam Rooms, Sauna, Pool, Small Climbing Wall, Nutrition Counseling.	Single (Monthly) Membership: Billed - \$59/month Electronic Funds Transfer - \$52/month Personal Training: Fees varied by trainer.
Fitness Solutions 24/7	Located in Durango. Personal Training, Cardiovascular Equipment, Weight Training Equipment, Nutrition Counseling.	Single (Monthly) Membership One month: \$60 With 6 Month Membership: \$55/month With Year Membership: \$50/month Personal Training: Fees varied by trainer.
CrossFit	Two locations, one in Bayfield and one in Durango. Short—20 minutes or less—Intense Classes that sometimes used equipment, Personal Training, Nutrition Information.	Durango Location/Bayfield Location: Single (Monthly) Contracts: One Month: \$140 With 6 Month Contract: \$107/month With Year Contract: \$99/month Personal Training: \$60/hr.

Kira's philosophy on fitness and life was simple – make it fun! She believed that if what a client was doing was not fun, the client would not continue to do it and would always have an internal struggle to stay motivated. *“With the right coaching,”* she explained, *“anyone can reach their goals while actually having fun doing it!”* She specialized in training clients for weight loss, rehabilitation, and sport-specific athletic performance.

Exhibit 4. Kira and Rayburn Gosney

Source: <http://momentum24-7.com/>



Rayburn joined Kira as co-owner of Momentum 24/7 when the couple decided to get married. He was a certified personal trainer and class instructor (through the International Sports Medicine Association). Rayburn worked with all levels of clients to increase their strength, flexibility and endurance. He also served the role of equipment/facility manager at the gym. He had the ability and know-how to remodel the gym when it expanded and to fix the equipment when it broke down.

Rayburn was a third generation resident of the Bayfield, Colorado area. Both Kira and Rayburn had graduated from the local high school and their family names were recognized in the area. Although they were not high school sweethearts, Kira admitted to having a crush on Rayburn when they were in high school. However, after graduation, Rayburn married someone else and

Kira left the area to join the Marines. When Kira returned to the area, then in her mid-30s, her brother-in-law said, *“I want to introduce you to a friend of mine.”* The friend turned out to be Rayburn, since divorced and still living in the area. It was not long before the two of them were dating steadily. Both Kira and Rayburn had watched their entrepreneurial parents succeed as they were growing up in Bayfield and often worked in their respective family property management businesses.

And the Baby Made Three

It was both a surprise and a blessing when Kira found out she was going to have a baby boy. When RJ was born in early 2012, the gym was doing well but the special one-on-one service that Kira and Rayburn provided their clients was getting even harder to do with another member of the family to care for.

Exhibit 5. Kira and Rayburn Junior (RJ) Gosney

Source: Kira Gosney



Kira's Business Strategy

Kira had also owned a different type of fitness facility before opening Momentum 24/7 and had managed several fitness facilities. She operated her previous business adventure in Denver, Colorado. Self-described as an “outdoor fitness company,” she offered boot-camp style classes in a park. Kira was the business. She advertised, organized and taught the class. As the class became very popular, she decided to add more classes in more locations. This meant that she would have to contract with other instructors to teach the classes. As she added classes and locations, it became difficult for her to continue teaching the classes she normally taught herself, as well as organizing all the other instructors and classes. It got to the point where the management of the business became overwhelming. As she put it, *“I lost my love and passion for the business and decided I would never own my own business again.”* She ended the business and went back to managing fitness programs in a large gym.

When she returned to Bayfield, Kira did not intend to open a gym. However, when she did not find a job she liked in the area and discovered that Bayfield did not have a gym, she started thinking about becoming an entrepreneur again. Furthermore, her parents owned a small shopping mall in Bayfield where a personal training operation had recently closed its doors. The space was available and Kira decided to jump in to the fitness business once again. As she explained, *“It just seemed right and I wanted to get back to helping people achieve their fitness goals. I missed that personal interaction.”* When she first started the business, her overall strategy was simply to increase membership until she was profitable enough to make a living from the business, but still enjoy the overall experience of managing and operating the gym.

Kira was surprised how quickly the gym's membership numbers grew. She explained, *“I thought it would be hard to reach 100 memberships in one year and I had that number in three months!”* Over time, she began to think on a larger scale and her overall business strategy changed; especially when she started having the same problems she had had with her previous business. Her plan included eventually finding a property to purchase in Bayfield and moving

the gym to the new location. Once the gym was in a profitable enough position, she would sell the gym equipment, name, etc. but maintain ownership of the building so that she could earn rental income. Her long-term plan included repeating this same scenario in other small towns around southwest Colorado until she eventually had enough rental income to retire.

Momentum 24/7 - The Personal Service Niche

When a member joined, Kira and Rayburn got to know her on an individual basis and provided her with a personal training session and a specifically designed nutritional plan. When members walked through the door, they were greeted by someone who knew their first names and what they were trying to accomplish. This created a comfortable and familiar atmosphere at the gym.

Exhibit 6. Bayfield, Colorado Heritage Days 5k

Source: <http://momentum24-7.com/>



As Kira explained, *“It’s all about bringing people together.”* As members worked out together in classes or while training, they grew to know each other. This provided another reason to continue going to the gym. Kira facilitated this by asking members if they wanted to join her and other members on local 5k walks/runs or by simply introducing members to each other.

She also paired members for training and contests – even when the members had not yet met one another. This facilitated the social aspect of the gym, making it not only a place to work out, but also a place to go where a member could obtain moral support from other members. The gym became a social and emotional part of many of the members’ lives, which made them associate exercise with good and happy feelings of belonging to a social network. As some members explained:

“I think Bayfield was definitely in need of a gym. I have seen the overall attitude regarding health and fitness evolve over the years in Bayfield and I think the gym has played an important role in that.” Ashleigh Tarkington, member since 2010.
“Momentum changed the way I viewed being healthy and working out. I made the best of friends and in return have an amazing support group and that made my lifestyle change easier.” Melissa Rose, member since 2010.

“The personalized training I received from Kira at Momentum supported the success of my weight loss and fitness goals. Her professionalism and dedication to create a plan that would work for me allowed me the freedom to commit to my goals and see them through.” Dawn Calahan, member since 2010.

“You must believe in yourself, mentally and physically. That’s what I have learned from joining Momentum. Kira and the people I have met at the gym have given me the confidence to continue my workouts and reach my fitness goals.” Koel Phelps, member since 2011.

Operations

Momentum 24/7 Fitness and Weight Loss Center was located in a small shopping mall, central to those who lived in Bayfield. The mall was in a high traffic location with ample parking and easy access. With 3,500 square feet of space, it was a full service gym, offering cardio machines as well as a large variety of weight machines – including circuit-training equipment. It also had a room for fitness classes and member workouts. Along with personal training, Kira and

Rayburn offered nutrition and diet information to their clients. Day care was available during the summer months for \$3.00 per hour. There was also a massage therapist located in the same shopping mall who offered discounted rates to gym members.

Industry data indicated the greatest growth in new members for most gyms happened during the first three months of the year, with more than 30% of new members signing up during this time (www.ibisworld.com, p. 6). Momentum 24/7 managed to avoid seasonality of membership growth from affecting its cash flow by collecting automatic monthly payments that were set up when clients signed up for a 12-month contract. The owners managed most of the daily operations, unless the work required a specialist (such as website design and social media operations). The owners managed all billing, collections and the confidentiality of member's records.

Exhibit 7. Cardio Equipment at Momentum 24/7

Source: <http://momentum24-7.com/>



Facilities. Members could access the Momentum 24/7 facility 24 hours a day including holidays and weekends. The door was equipped with a keyless entry system. Members could enter by putting in their private access code.

Providing appropriate equipment and maintaining it was essential to attract and retain customers. The facilities were designed to maximize social interaction that naturally happened as people exercised or took classes together. The facilities were also equipped with several TVs and a sound system. Upbeat music played throughout the day. There was a security system in operation 24/7 that provided peace of mind for members who wanted to work out during off hours. (See Appendix A for a layout of the facilities.)

Variety of Programs. To attract and retain members, Momentum 24/7 offered programs that appealed to a variety of skill levels and ages. At designated times, classes were taught by professionally qualified trainers (the owners or contractors). Class options included belly dancing, kickboxing, Pilates, spinning, and Zumba. Special workout classes were also available for different skill levels, such as beginners or advanced high-endurance strength training. Individuals could also choose to work out on their own. Many members took advantage of the weight training and cardiovascular equipment offered in the gym. While the class schedule changed every few months, it had followed a pattern of morning and evening classes with mid-day time slots available for personal training appointments. There were no classes or personal training appointments scheduled on the weekends, even though members could still access the gym and work out on their own.

Knowledgeable, Caring and Attentive Staff. During the week (9-5 or by appointment), Kira, Rayburn and/or another staff member were there to greet existing members or sign up new members. Although the contract workers at the gym did not have set schedules, while they were there to train clients they could sign up new members and do other tasks in between their training sessions.

Having skilled and certified staff members who were knowledgeable, caring, and attentive created a safe and positive environment. The staff could demonstrate the proper and safe use of various types of equipment. In addition to the owners, Momentum 24/7 had two part-time

trainers who were qualified to demonstrate various pieces of equipment. Three more contracted staff members also taught classes at the gym. The owners were always looking for trainers and instructors who were positive, caring, non-judgmental, and encouraging, who motivated current members, especially those members who were not fully committed to a healthier lifestyle.

In the traditional health club model, 50% of income went to personnel costs. With more gyms having 24/7 access, the new trend was to have very small staffs. This allowed smaller gyms to be profitable. Therefore, in many cases the owners of a gym were the only staff on the payroll (<http://www.ihrsa.org/media-center/2012/1/11/top-health-club-trends-for-2012.html>).

Momentum 24/7 was a typical example of this new trend that relied on part-time contract labor to reduce labor costs. This did present problems for the gym. It was difficult to find contract workers who would act on behalf of the owners as responsible agents. As Kira explained,

“All I can do is try to find people who will continue offering great personal service. But as in any business, nobody will take care of the customers like the owner. It’s a struggle finding people who care about what is going on in the gym as much as I do and furthermore, when I do find good people, I have a hard time keeping them. In fact, it really is impossible to find the kind of people I want.”

Kira also mentioned another problem with contract workers, *“I can’t have set schedules for them like regular employees have.”*⁶

The owners paid the two part-time trainers on a contract basis. The trainers could sign up new members and demonstrate the equipment. The trainers received part of the personal training

⁶ The government requires that firms use employees (and therefore pay payroll taxes and offer particular benefits) instead of contract workers unless certain criteria are met. Both state and federal laws apply to misclassification of employees, making it increasingly difficult for firms to justify hiring contract workers over regular employees. The law presumes a person who provides work is an employee, and the burden of proof to establish otherwise falls on the employer. As just one example, under the Colorado Independent Contractor law (2009), for a worker to be classified as an independent contractor, the worker must actually and customarily perform the same service for others and the employer can have no control over how the person performs the work.

fee when a member decided to sign up for individual training sessions above what was included in their membership.

Other individual contractors conducted specialty classes and were paid directly by the participants (\$4 for members and \$6 for non-members). This provided an incentive for the contract workers to generate class participants in order to create enough profit potential for the contract workers to conduct the class.

Financials

Exhibit 8 indicates typical monthly revenue and expenses for Momentum 24/7, excluding taxes or equipment expenses (which in some months were substantial). Most of the equipment that Kira and Rayburn bought for the gym was not new. Kira spent many hours on the internet looking for used gym equipment for sale in nearby cities. Equipment was added to the gym as Kira found a “great buy.”

Exhibit 8. Typical Before Tax Revenue and Expenses – Monthly

Source: Momentum 24/7

Revenue	
Memberships and Training	\$18,000
Merchandise Sales	\$100
Expenses	
Rent	\$3,500
Insurance	\$300
Utilities/Phone	\$350
Marketing	\$250
Website	\$29
Office Supplies	\$50
Equipment Parts	\$200
Contracted Staff Payments	\$2,550
Net Income	\$10,671

The Business Model: Individual Choice

Momentum 24/7's service concept was best described as a process of transforming a group of individuals who started out as total strangers into a fun-loving and physically fit group of friends. The fitness center was designed and operated to create a user-driven atmosphere that was open 24/7 so members could work out on their own, with a friend, or attend any number of classes. Members could choose to train in groups of two (or even three). In general, after 2-3 times investigating different classes and options, most members settled into a fitness routine that met their individual preferences and schedule.

The traditional gym model was to make as much money as possible through personal training; but Momentum 24/7 tried a new strategy of "give a lot away" in time and information in hopes that it would come back in referrals.

Customer Profile and Memberships

Momentum 24/7 had 450 members, with the majority being female (60%) with an average age of 40 years old. Most members resided within 10 miles of the gym. Some of Momentum 24/7's clientele worked in Durango during the week and used the facility very early in the morning or in the evening hours and on weekends, without driving about 40 miles (to and from) Durango. The majority of new members opted for a 12-month membership, although a minority opted for the month-to-month rates. Since the gym could be accessed 24/7, members could work out at their convenience. The peak use time at the gym was between 4:00 and 7:00 in the evening. The slowest time was between 1 o'clock and 4 o'clock in the afternoon.

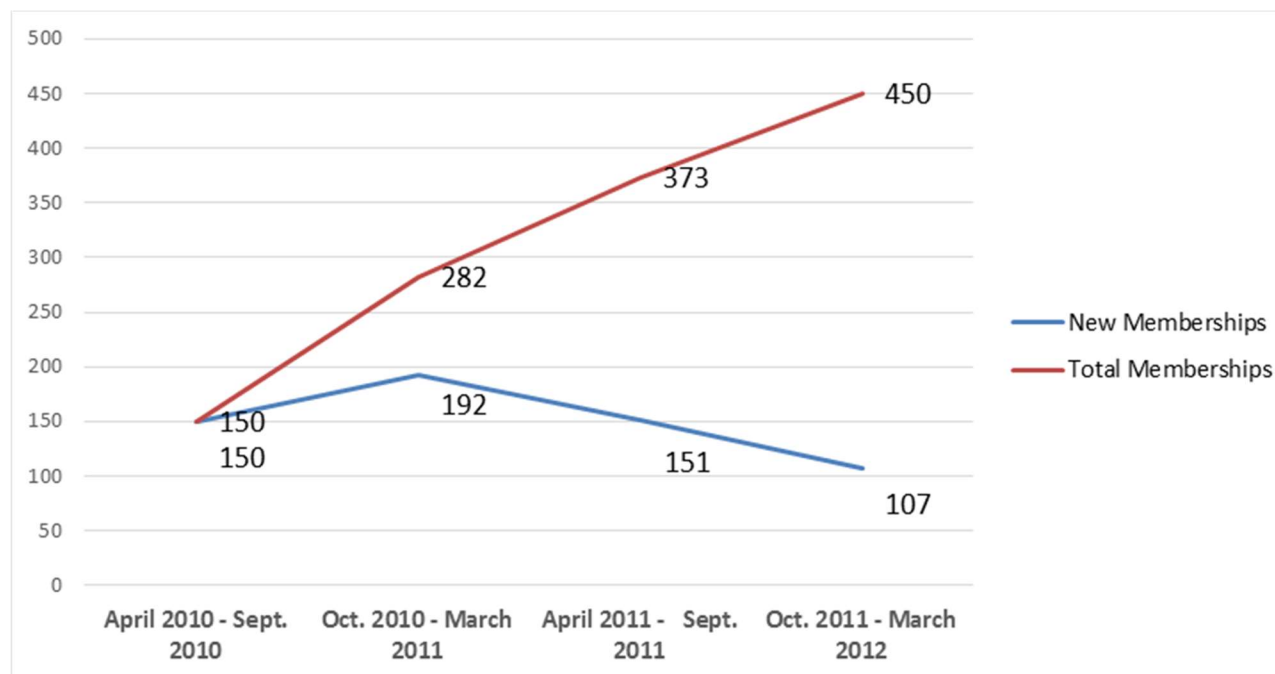
One of Momentum 24/7's marketing tools was its satisfied members, many of whom had gotten great results from joining the gym. Community members saw their friends transform their bodies and lifestyles after joining. Kira and Rayburn thought this was where Momentum 24/7's concept was different from other gyms. Typically, to obtain the service and nutritional information provided at a gym, a client would have to pay a personal trainer \$50 to \$70 per

hour. However, this was not the case at Momentum 24/7. The importance of word-of-mouth to the gym was evidenced by the high number of first time members who decided to join primarily on the recommendation of a friend. The owners monitored member satisfaction by listening to member feedback (verbal) and making adjustments when possible.

As membership grew (see Exhibit 9), it became more difficult to provide the high level of personal service that members were used to getting from Kira. Yet for the business to continue to thrive, memberships needed to increase. Was growth for the business limited? If so, had the owners already reached the limit? At that time (April 2012) membership was 450. On average (over the course of a year), according to Kira, there were 25 new members and about 10 cancellations per month.

Exhibit 9. Momentum 24/7 Membership Data

Source: Momentum 24/7. Total memberships at the end of each six month period shown.



Pricing

Momentum 24/7 charged a monthly membership plus a one-time initiation fee. The initiation fee included classes, setup with the client's 24-hour access code, and two personal training sessions with body fat testing and nutritional consultation. If a client signed up with a friend, the initiation fee was reduced by 50%. If a client's referral signed up for a new membership, the client received a free training session or a t-shirt or water bottle. Whenever the owners were on the premises, they always offered help and information at no extra cost to clients.

Clients could purchase personal training at an extra charge, with plans tailored to a client's goals. Plans included written workouts to do on the days the client was not with the trainer, nutrition coaching including meal plans, before and after photos, and monthly body fat testing and measurements. A training session lasted one hour. (See Exhibit 10 for membership and personal training rates.)

Exhibit 10. Membership Pricing At Momentum 24/7

Source: Momentum 24/7

Membership Rates	Single	Couple	Family
Month-to-Month	\$44/month \$74 initiation fee	\$84/month \$94 initiation fee	Add \$20 per month per person and \$30 initiation fee.
12-month	\$34/month \$54 initiation fee	\$64/month \$74 initiation fee	Add \$15 per month per person and \$25 initiation fee.
One Year Prepaid	\$390	\$760	
Personal Training Rates			
One-on-One Training	\$45/session (single sessions).	\$200 for 5 sessions (\$40 per session).	\$350 for 10 sessions (\$35 per session).
"Buddy" Training – Two or More Clients at the Same Time	\$25/session (per person).		

Promotion and Marketing

The marketing for Momentum 24/7 consisted of ads in the local newspaper, the company website, presence on a social networking site, and word of mouth. A special form of marketing was the contests that Kira and Rayburn held from time to time.

First Contest. The first contest, held in their first year of operation, gave prizes to those members who attended the gym more often and/or lost the most body fat over a 10-week period. Knowing that a key element to any contest was the creation of teams that competed against other teams, Kira organized the contest such that pairs competed.

This strategy accomplished two important goals: it facilitated the social atmosphere that the owners wanted to create and it brought in new members. If a current member did not have a partner, there was a chance he or she would recruit a friend in order to compete in the contest. The contest was successful for the business in that members increased their attendance, membership increased, and, as an example of the accomplishments of the members, the contestants of the fat loss portion of the contest lost a total of 815 pounds.

The Win-To-Lose Contest. In the second year of business, the owners decided to have another contest. The contest was conducted over an eight-week period with teams of three people competing for a prize for the team with the biggest overall weight and body fat loss. Team members did not have to be members of Momentum 24/7. However, again, there was an incentive for current members to recruit new members for the gym. Each team member contributed \$20 to join the contest – all of which created a pool of money for the winning teams (minimizing the monetary cost of the contest for Momentum 24/7). Teams were required to weigh in each week, and various community partners supported the teams with healthy food options at local restaurants and a weekly update in the local newspaper. Weekly winners received prizes donated from local businesses. See Exhibit 11.

Exhibit 11. Community Members Involved in Momentum 24/7's Contest

Source: Momentum 24/7

Business	Involvement in the Contest
Brenda's Café	A local café: created a special menu of healthy entrees for contestants.
Pine River Times	The local newspaper: Provided weekly updates on team status and pictures of the winners.
Salon del Sol	A nearby full service salon: Provided gift certificates for hair and nail services and hair care products.
Glow's Salon	A nearby nails and hair salon: Provided gift certificates for hair and nail services.
Raw Synergy	A local wellness center: Provided gift certificates for wellness services.
Back Porch BBQ	A local restaurant: Provided gift certificates for meals.

Working with the local community generated a very large “buzz” about the contest and the gym. It was a win-win situation for all involved. The gym benefited from the donated prizes, while the local businesses promoted their products and services. The local newspaper listed the prizes donated each week. The overall results of the program are shown in Exhibit 12.

Exhibit 12. Results of the Win-To-Lose Contest

Source: Momentum 24/7

Total Number of Participants (23 Teams)	Total Amount of Pounds Lost	Total Amount of Body Fat Lost	New Memberships because of the Contest
69	1,015	6% on Average	18

Having contestants compete in teams not only lead to an increase in memberships, but it also might have taken some of the pressure off the owners. Team members supported each other and worked out together. Kira and Rayburn thought that although the contest added work

(weigh-ins, recording results, etc.), the team camaraderie had the effect of decreasing the personal service needs of individual clients.

The Great Pumpkin Chase. Another promotional event that Kira and Rayburn decided to add in the second year of operation was a 5k walk/run (see Appendix C). They partnered with a local bar, the Billy Goat Saloon, to organize and operate the event. They decided to hold the event around Halloween in an attempt to make it family-oriented and fun. People were encouraged to wear costumes and to bring their children and dogs to the race. Some of the proceeds from the race were donated to the local animal shelter, the La Plata County Humane Society. One of the trainers at the gym, who wore a large pumpkin costume, led the run/walk. The run/walk attracted about 40 participants and provided exposure for the gym.

Exhibit 13. The Great Pumpkin Chase

Source: <http://momentum24-7.com/>



Even after all of their promotional efforts, Kira and Rayburn's overall problem still existed. How would they accommodate new members and continue to provide time and energy-consuming personal service to each client? Continuing to grow might mean a change to their business plan. What modifications could they make to be sure that their business not only remained successful but became even more profitable?



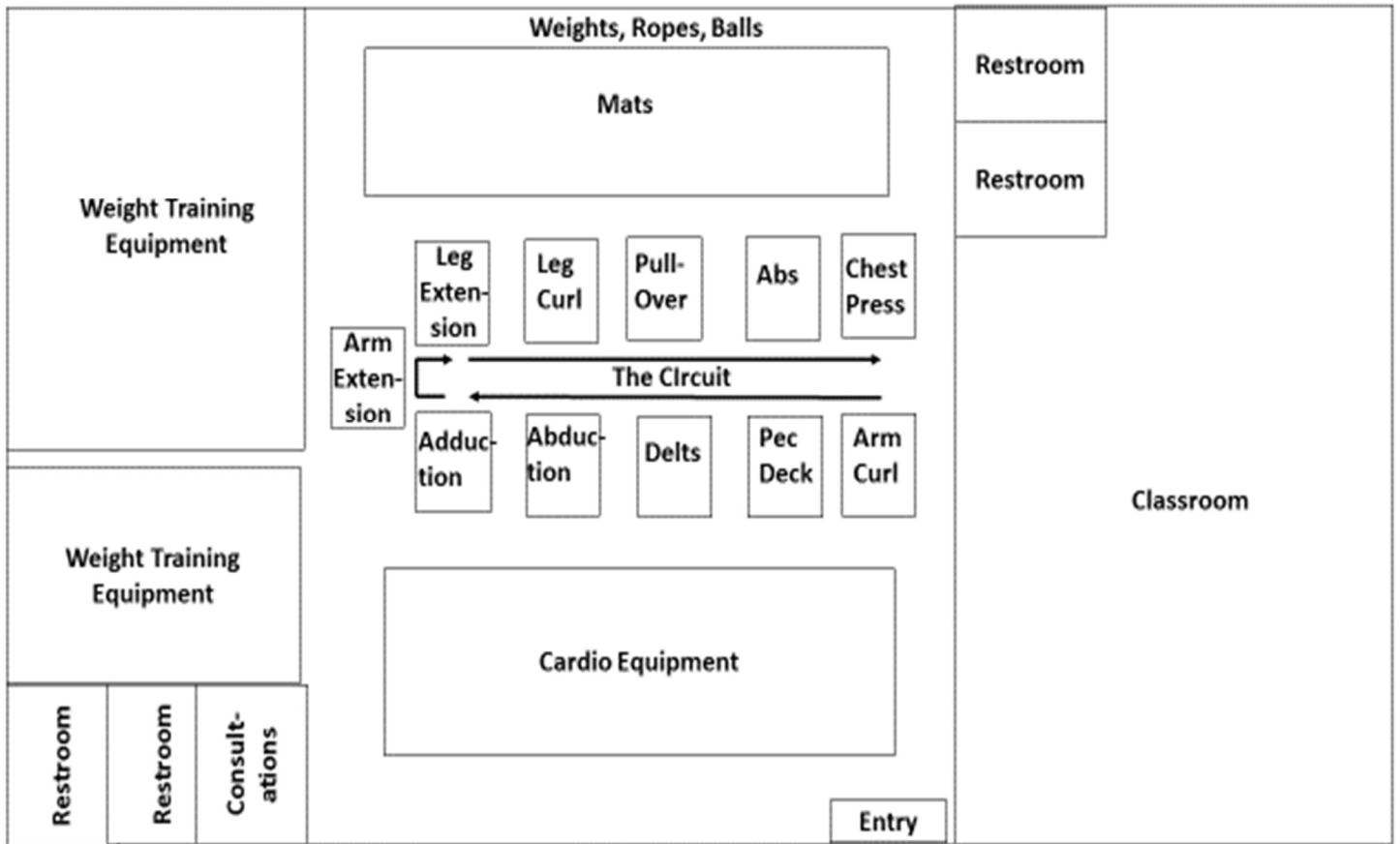
Deborah Walker is Professor of Economics at Fort Lewis College. She earned her Bachelor degree in economics and Master in Business Administration at Arizona State University, and her Master in Economics and Ph.D. in Economics at George Mason University. Her teaching and research interests include public policy, Austrian economics, industrial organization, public choice, evolution of economic thought and economic education. She spent thirteen years teaching at Loyola University in New Orleans before going to Fort Lewis College. Her passion is teaching economics to undergraduate students.

She is a native of Colorado and loves spending time in the mountains. An avid animal lover, she often fosters for the La Plata County Humane Society.



Elaine Labach is an Associate Professor of Management and the Associate Dean in the School of Business Administration at Fort Lewis College. She joined the college in 2008. Dr. Labach has led students on Study Abroad programs to Spain and Costa Rica. Prior to joining Fort Lewis, Dr. Labach has had a previous career in the insurance and pharmaceutical industries, working for Eli Lilly and Company, Progressive Insurance and Cardinal Health in operations and sales management. Dr. Labach is ex-officio President of the Western Casewriters Association.

Appendix A
Facility Layout of Momentum 24/7



Appendix B


Regional Map of Bayfield, Durango and Ignacio, Colorado

Source: <http://www.coloradodirectory.com/maps/durango.html>

Appendix C
Flyer for the Great Pumpkin Chase

Source: Momentum 24/7

Dress the family, friends and dogs in their Halloween best and join us!

Raising funds for:

PCAS
La Plata County Humane Society

Momentum 24/7 Fitness & The Billy Goat Saloon
Present the

Costume 5K and 1 mile

Great Pumpkin Chase

Saturday, October 26 • 10:00 a.m.
(Reg. starts at 8:30 a.m.)

480 Wolverine Dr., Bayfield, Colorado

Register before October 21st and save!

Register at the links below:
momentum24-7.com or facebook.com/momentum247


5K
\$25 per adult before Oct. 21 and \$35 after Oct. 21. (Fee includes T-shirt and goodie bag)

\$10 per child under 13 before Oct. 21 and \$15 after Oct. 21.
(Fee includes a pumpkin water bottle)

1 Mile
\$10 per adult, kids are free. (Fee includes a water bottle for each participant)

Strollers and pets are FREE!

*Have questions?
Call Kira (720)231-4313*



Come Chase the Great Pumpkin!

Thank you Alert Traffic Control!