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Upsize

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Minnesota



How to be first to franchise

"You have to move quickly. This is working, and people are wanting to change their health. And so we're running."

— **Suzy Boerboom**,
COO of Welcyon,
with co-founder
Tom Boerboom

WHY
SELLING PAIN
WORKS BETTER
THAN PLEASURE

HOW
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HIRE IMPROVES
TALENT MIX

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TAX BREAKS
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RUNNING HARD

HOW WELCYON'S FOUNDERS STRIVE TO BE FIRST TO FRANCHISE

TOM AND SUZY BOERBOOM both have had long careers in the health care business, he as an executive with various long-term care providers, a role that he continues today as CEO of Mission Health, and she as a registered nurse and customer service expert.

They bought, operated and successfully sold a Curves franchise several years ago, the health club for women with outlets around the world. That experience, plus several years of ruminating on the needs of fellow baby boomers, led them to create in 2009 their new venture: Welcyon, a health club for people age 50 and over.

After two years to lay the groundwork, open two corporate-owned stores and refine the concept, they were in mid-February six to eight weeks away from selling their first franchises, with a goal to sell five in Minnesota this year and then plans to expand to other states in 2012 and beyond. (They're backed financially by a third partner, Paul Contris, who is also a player in Mission Health but does not have an operating role in Welcyon.)

Tom Boerboom, CEO, and Suzy Boerboom, COO, detail for Upsize their rush to expand quickly enough to claim what they believe is the frontrunner position in an attractive niche, yet not so fast that they undermine the careful planning that is crucial to a franchise operation.

INTERVIEW BY BETH EWEN

PHOTOGRAPHY BY JONATHAN HANKIN



“We want to be first. We will be first. We want to sell a franchise in 60 days,” says **Suzy Boerboom**, co-founder and COO of Welcyon, with her husband, CEO and co-founder **Tom Boerboom**.

Upsize: Describe your company as it stands today.

Suzy Boerboom: Welcyon is a fitness club that provides a very welcoming atmosphere for those of us who are 50 and over. We provide a customized workout in a very non-intimidating environment, where we have fitness coaches that not only orient people in a safe way of working out, but they continue supervision. We also have a social component, because we thought that relationships and a sense of belonging are so important for a feeling of well-being.

We focus on strength training, because as we age, we lose about 10 percent of muscle mass per decade if we don't train. The biggest factor of going into a nursing home is quadriceps weakness.

Upsize: What made you decide on the 50 and over age group?

Suzy: Two reasons: one, because we're in the demographic, and because it's the largest demographic in our country. I think ethically and morally we believe that we can help change America in the right way, because of health care costs. If we don't stay healthy, our children, our grandchildren, the country can't pay for all those health care costs.

The other reason is, we didn't want to go to a club anymore that has people who are in Spandex and are 30 years old. We didn't feel comfortable. We wanted to make people feel comfortable. They don't have to feel embarrassed, if they've never worked out before.

Tom Boerboom: It really was a population that was underserved. There are no, or very few, comparable types of neighborhood facilities that do what we do.

Upsize: Both of you have a background in providing health care to seniors. How does that feed into your creation of Welcyon?

Tom: For me it was significant, because having worked in elder services my entire career, I've seen people come in to our facilities, maybe because they've had a stroke or some other event. They would come in and get rehab, and start to get stronger. Then over time maybe they'd start with a cane, and then end up in a wheelchair. They were getting weaker. The types of programs we have really address that. We can see people get their muscle tone back. That had a big part in what we were trying to accomplish.

Suzy: Being a registered nurse, and also working in long-term

care, I knew what happens to all of us as we age if we don't remain strong. I also felt that having a nurse as a manager in the club brings a whole other aspect of credibility to this population. That was a strong point in our background. As boomers we have a lot on our mind. Our idea of aging is not what it was 20 years ago. We want to travel, to remain active.

Upsize: Tell me about the name Welcyon, which is a made-up word. I know that one major goal was to create a name that you could protect throughout the country. How did you get to that name, and what went into your thinking in creating it?

Tom: We actually started with 100 words, and then we Googled them, and Welcyon was the one that came back that was wide open. There was only one hit, I think, from that word.

Suzy: There are two facets to the name: the word wellness, and the old word halcyon. People who come to us will get well or have a better health outlook, but they will also come into Welcyon and feel like it's a serene, joyful, welcoming place. Then we had the company that helped us with branding look up the Greek myth, and they helped us find the halcyon bird, which is known to bring peace and calm.

Upsize: Why was it important to you that no one else was using the name nationally?

Tom: One of the thoughts we had was when people Googled us, or found us on the Internet, which is a major component of doing business today, we wouldn't have to position ourselves against so many other companies. We tried other combinations of names, like with the word 'boomer' involved, and there were thousands of hits that were so easy to get confused.

It was very odd at first to make up a name. We really had second thoughts. Our partner Paul Contris called and said, 'I don't like that name.' But we were told that it would grow on us, and it really has.

Suzy: Our consultants said, find something that's unique, We've had a lot of serendipity moments with the name, too.

Upsize: Suzy, you had an experience operating a Curves franchise. What did you learn from that?

Suzy: I learned that you have to have systems, and so everything we've done at Welcyon we've recorded: we've written procedures, we've written protocols; we've had a foundation for all of our exercises. Leadership was critical in that exercise, so we talked a lot about what our values are in the company, what we want to be known for. What do we stand for? Because Diane Heavin, the woman who helped found Curves, is a woman of great character. So we talked a lot about honesty, and fairness, and giving.

I also learned from the Curves experience that consistency is very important. You could have one franchise that was operat-



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—SUZY BOERBOOM, WELCYON

ing in this manner and following protocols, and then you might have another one that was quite different. So from the get-go we decided to be very firm about the protocols, about the atmosphere, about how we treat customers.

Another thing I learned is, you have to move quickly. This is working, and people are wanting to change their health. And so we’re running. We’re ready to go with this. But at the same time you have to be thoughtful.

Upsize: You said you’re running fast. Is that because your competition feels that this is a nice niche? How fast do you have to be, to beat others?

Suzy: We want to be first. We will be first. We want to do it as quickly as we can, and we want to sell a franchise in 60 days. We have our franchise documents in place.

I’d like to sell five franchises in Minnesota this year. That’s aggressive for a new franchising company, but that’s our goal.

Upsize: What are the most important lessons you’ve learned while creating Welcyon?

Suzy: Getting assistance with the branding. Finding a consulting company right from the beginning to help us with the decisions. Hiring somebody with great credibility in exercise physiology. We didn’t want to just put something out there. We do everything in line with the American College of Sports Medicine guidelines, because we’re partnering with doctors, rehab units. We need to have a lot of credibility. So we have to have a good foundation of why we do everything, from the number of repetitions, to the questions we ask people, to the stretching afterwards.

Upsize: It seems that some of those things you’re doing could be expensive and complicated, certainly more so than opening a gym and sticking some equipment in it. Why are you taking this path?

Suzy: We decided early on we wanted to be the best and be first in this field. So we needed a sound foundation.

Tom: When we saw the opportunity to change people’s lives, we found that was motivating to both Suzy and I. Since opening two clubs, we’ve gotten a lot of feedback on how that’s happening. It’s been incredible.

Upsize: How are you financing this rollout? You have three partners, including yourselves, and you have a relationship with Mission Health, where you, Tom, are also an operating officer. Suzy said earlier that you haven’t yet sought additional money beyond the three of you.

Tom: We’ve financed it personally out of our own funds, of the three partners. We’re nearing the point where the majority of the outlay of building the company has taken place, so as we start to franchise we’ll become self-sustaining in the coming year.

Upsize: And you feel you will be able to do that without additional investors or debt financing?

Tom: That’s our goal, yes.

Upsize: What’s your experience in other areas of business that makes you think you can do that: grow fast enough with the resources you have among three people?

Tom: As you sell a franchise you receive the funds from the franchisee, so that helps the cash flow. And you have area franchisors, which would develop an area for us. If our growth is explosive, we may need to look at some other financial arrangements, but we work with a couple of banks and they’re aware of our plans. So it’s possible that we may need some short-term financing, and we’ll pursue those if we need to.

Upsize: So the franchising model is a way to grow without as much cash needed, as compared to other ways of growing? Is that partly why you chose the model from the beginning?

Tom: Absolutely. And also because we think Welcyon will be an attractive opportunity for a health care provider such as Mission, which operates in many different communities. If I could operate a Welcyon in a city where I already have a nursing home or other health care facility, that’s very attractive. I would rather provide that myself than have my competitor do it.

Suzy: We’ve also seen the great potential with the people we’ve hired as fitness coaches. As it has turned out, our fabulous people that we’ve hired as fitness coaches are also retired. They are former coaches, former teachers. We discovered that we will find a whole country full of these wonderfully skilled



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—TOM BOERBOOM, WELCYON

and bright people who want to do something to help people. I think the staff of Welcyon will also be a wealth of people to look at as franchisees.

Upsize: Let’s turn to some philosophical questions. What would you say so far has been the biggest turning point for your company; that is, when something happened and the business started taking off in the right direction?

Suzy: Up until we opened the first club we were doing a lot of writing and manuals and making decisions about protocols, for about a year. Once we opened the club and saw the remarkable change in a person’s health and strength in a month, and their reaction to the culture we created—it surprised me, not that those things happened, but to the degree that they did. So it really made me feel we chose the right equipment, the right staff, the right culture. It’s working.

Tom: The feedback we got after we operated for a while really confirmed our thinking.

Suzy: We have a lot of experiencing with building programs, operating facilities. So we knew what worked. I think our biggest challenge as with any startup is the marketing piece, getting the word out. One thing that surprised us a little bit: because the concept isn’t out there anywhere else, we found that we have to get people in the door to Welcyon. Their concept of a gym is not how Welcyon is. So we’re working hard on that to figure out all the different avenues.

Upsize: What about the flip side, what happened when something went terribly wrong, and what did you do about it?

Suzy: Well that would be the latest one, January. January is supposed to be the biggest month in the fitness industry, although with Welcyon this is a little bit different; it seems this demographic might be a bit more stable than the regular fitness industry. So we were excited, but then in January I got a call early in the morning and the water pipe had broken and the Bloomington club was full of water. So within a few hours we got together, and we decided to send a letter with a map of the Edina location, that we wouldn’t charge them. And that surprised our guests. They were surprised that we weren’t charging them; they felt badly for us. That happened on the 3rd, and then on the 23rd the same pipe broke again. So I felt I was stuck in the Groundhog movie, so we re-opened on Groundhog Day. That was a large blip but it carried some

blessings also, like we found a new carpet that will work well in our clubs.

Upsize: What is the biggest lesson you’ve learned about operating a business?

Suzy: I didn’t just learn it this time, but again I realized that passion, belief in something, is the critical factor. Doing something because it feels like a mission still seems to me like the critical factor in resonating with customers, with the community.

Upsize: Why do you think passion is the critical factor?

Suzy: For one thing the number of hours, the anxiety at times, keeping one’s encouragement and belief—I can’t imagine anyone could do this without it. It’s too hard, it’s too much work. And you have to have fun at it, and we are having fun. It’s been very fun because of the members.

Tom: I would echo what Suzy said, but the one piece that has been a challenge is the financial piece, and making that work and planning it out. Especially in the early stages there were very large investments in developing the logos, the design features. You get to a point when there’s no money coming in at all, and you swallow and say, ‘I knew it would cost a lot of money,’ and you have the projections out there, but you lose a little sleep.

Upsize: Did you find it to be more expensive than you expected, even though you, Tom, have a very long experience in finance at large and medium sized health care companies. But is it different when it’s your own money?

Tom: Absolutely. And backing up a bit, early last year, with the economy, I think people were looking at us and saying, what are you doing? We thought that by the time we were really rolling, the economy would be better, and so far that seems to be the case.

Upsize: How do you split duties in operating the company, or do you do everything together?

Suzy: It’s not always easy. We’ve done this before. Tom’s the idea person and I’m the action person. We certainly have times when we don’t see things the same way, but Tom usually lets me make the operational decisions, and trusts my judg-

ment about where we need to go next. And I come to Tom to ask, is this in line with our original vision? Can we afford this? What do you think?

Upsize: Do you agree with that Tom? What she says?

Tom: Absolutely. I have a lot of respect for her management style and expertise, and dealing with the population that we're serving. She has a passion that's incredible. And all the great people that we've had in this organization, at the management level and people within the clubs, it's unbelievable.

Upsize: Tom, where do you focus your energy?

Tom: In the marketing area, I have a strong interest in that. I've worked in that area in my entire career. I see opportunities where Welcyon can serve people. And then just in general in the financial area, trying to develop the model that will work well for us and the franchisees.

Suzy: It's an interesting experience because when you're married and you're business partners, you know that there's nobody that will have your back like the other person, and then as well you speak very frankly at times, much more so than you would with a colleague.

Upsize: When we have this interview five years from now, to get an update on your progress, what will Welcyon look like?

Tom: I envision Welcyons all over the country.

Upsize: Do you put a number on it?

Tom: It depends on what our capabilities are. I think it's going to grow very quickly, because I think people will value and appreciate what we've created. As for putting a number on it, the more important thing is doing is right. That was one thing I was impressed by with Curves; they really handled the growth well. I think we can learn from them, even though we were a franchisee with them, not a franchisor like now.

Suzy: I think we really need to manage well who we sell Welcyon franchises too. That person really needs to match our culture, because this program is a high-touch, complex system.

Upsize: And what if franchises start selling like crazy? How are you going to manage it?

Suzy: I think at that point, we know a lot of people out there and we'll bring on more people. But we'll have to restrain ourselves, to not sell a franchise to someone who doesn't match. And we won't sell an area agreement unless someone has proven success with one or two clubs.

Upsize: Okay, three final questions, which I ask of many entrepreneurs: Which is more important in your opinion, talent or experience?

Suzy: I'd say talent, because there can be someone who's 60 years old who's had a heck of a lot of experience, but really hasn't had a great amount of talent with something that's fabulous. And there could be a young person who's highly talented and maybe doesn't have a lot of experience, and they're going to be a star.

Upsize: Which is more important, money or ideas?

Tom: I think a lot of people have ideas, but if you don't have the right connections with money or the resources, it's pretty hard to get them off the ground. So I'd say money.

Upsize: What's one thing you wish they would have told you, about being an entrepreneur?

Suzy: Pretty much the constancy of thinking of this. It takes a great amount of mind control and personal caretaking not to let it be consuming to the point that your life is out of balance.

Tom: You live it every day and you wake up every morning and it's the first thing that you think of. And then I see my sister and brother-in-law that are close to my age and they are retired, and you think, OK! It's a very different lifestyle. We've learned to adapt to live with that. But it's a constant pressure, all the way from finances to your responsibility to your employees. Especially when you're a startup: You have to get it right.



WANT TO HEAR MORE?

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Welcyon mission statement:

To provide a welcoming and personalized fitness environment where people 50 and over can achieve their best health.

Vision:

Welcyon is committed to changing America by improving the health and vitality of at least one million aging adults.

Core values:

Welcyon is passionate about active aging and the ability to be strong. Above all else, the company is dedicated to serving customers. Welcyon is built on the values of honesty, integrity, teamwork and servant leadership. Our fitness clubs are committed to innovation and strive for excellence on a daily basis.

