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ADAPTING THE CONCEPT OF PROFIT CENTERS

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ABSTRACT

Profits are the primary focus of the business process. Understanding profit centers is a key ingredient to reducing risk and diversity to improve profit margins.

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Leisure, sport, and recreation businesses vary in size from mom and pop sole proprietorships, like dude ranches, to huge multinational companies, like Disney. Frequently, sound business principles used by big corporations are ignored by single family owners of small recreation concerns. But perhaps as often, warm, personal, customer-centered practices associated with small local leisure businesses, like YMCAs, can be found at the front desks of large, national franchise fitness clubs.

It would seem logical that as large and complex leisure businesses become more conscious of providing positive recreation experiences for their customers by meeting desires and needs, small and local delivery systems could improve their operations by adopting principles from management theory. Small businesses in recreation and leisure, regardless of whether they program recreation for profit or not, can improve their operations by adapting the principles behind the concept of "profit centers."

By using two examples of recreation businesses, small resorts and YMCAs, I will illustrate the application of profit centers to leisure. The concept of profit center may be easier to apply if the term is changed to budget center. Not every leisure business operates "for profit," and not every division or unit within any business generates profit. But the logic and efficiency of adopting the concept transcends any semantic barrier.

For example, consider a modest size ski resort with a four month

snow season. A typical visitor would park on a cleared lot, buy a lift ticket, rent some gear, buy some clothing, take a lesson, ski, eat dinner, and leave. The visitor might perceive the entire day as one unified positive leisure experience.

However, behind the scenes, in order for the ski resort to succeed, the single family owners have integrated seven budget centers: 1) administration; 2) facilities and property; 3) ski lift; 4) rental shop; 5) retail store; 6) lessons and instructions; and 7) food and beverage. It is important that these units identify some distinct and autonomous functions while at the same time each preserves the common goal of keeping the customer at the center of attention. The budget centers would rent skis, sell earmuffs, and offer lessons in different ways. Separating those techniques is an important key to success. But integrating the common goal of customer satisfaction is another key. By using the term budget center one does not fret that administration or facilities have no income and cannot be profit centers. But isolating the personnel, goals and objectives, programs, and operations makes each unit responsible and efficient.

An eighth unit could be added for use of the property in the non-ski or off season. The resort might be open year round with the addition of a small golf course or swimming pool. The hook unit, the ski lift, might be seasonal, but the rental shop, the retail shop, lessons and instructions, food and beverage, administration, and facilities would remain with different products, instructors, and menus. Still other units could be added to market group sales or conferences and conventions. Adopting the budget center principle gives any leisure business more flexibility.

Another application of this same management technique can be illustrated by using a non-profit leisure delivery system, a YMCA. By definition, a YMCA operates without a distributable or shared profit. But to survive a YMCA must have healthy, fiscally accountable, and profitable budget centers. Like a private, for-profit ski resort, a YMCA must have units for administration and facilities. A YMCA would have a large program unit. Many YMCA's have retail sales, rental shops, special events, and food and beverage. Each unit addresses different problems, personnel, equipment needs, and audiences. For example, the program unit might be subdivided along activity lines (aquatics, fitness, gymnasium) or clientele lines (youth, learner, general user). But each unit should share in the mission of the YMCA to provide a positive leisure experience for every user.

Using some imagination, one can envision the limitless application of profit center business organization to a wide variety of leisure enterprises. Simply changing the name to budget center or administrative unit allows a director of a leisure service delivery system to adapt principles and techniques of big business to any recreation setting.