

Norm Cates'

CLUB INSIDER

CELEBRATING 26 YEARS OF TRUST

VASA Fitness *The Rise of HV/LP 3.0*



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CELEBRATING 26 YEARS OF TRUST

VASA Fitness The Rise of HV/LP 3.0

By: Justin Cates

The year is 2014, and 17 Utah-area Gold's Gyms are operating as they have been for years. The iconic black and yellow are on the walls, the main gym area is bustling, and the available amenity areas are adding value. Enter 2015, and those 17 gyms are now the founding locations of **VASA Fitness**, having completed a Herculean conversion and rebrand effort to complete the year. At the time, having the Gold's Gym name across an array of locations, it would seem that **Founders, Scott and Lynette Felsted**, risked

everything to bring the vision of their own brand, VASA Fitness, into existence... But, it paid off!

Now, five years later, those 17 re-branded locations are almost 40 and ushering in the next phase of the *High-Value, Low-Price (HV/LP)* evolution. At the time of the conversion, VASA secured a private equity relationship with *Silver Oaks Partners*, which has provided the financial backing needed for such an extensive rebrand and the expansion of the company across multiple states in their operating region. And, in the years that have followed, the repetition of opening new facilities has

helped hone their craft to the level of being second nature.

Today, on a monthly timescale, VASA Fitness is building beautiful clubs in every market it meets, rejuvenating old retail and the communities in which it operates. Now led by *VASA Fitness CEO, Rich Nelsen*, who prior to VASA had an extensive career with Starbucks, including the opening of a plethora of locations in Europe and the Middle East, the company has an executive leader who is further-merging the idea of the health and fitness club with a retail presentation. Just like what was
(See *VASA Fitness* Page 10)



Rich Nelsen, CEO of VASA Fitness

Six Reasons The Fitness Industry Is Booming

By: Ben Midgley

According to the International Health, Racquet & Sportsclub Association (IHRSA), the \$30 billion health and fitness industry in the United States has been growing by at least 3 - 4% annually for the last ten years and shows no signs of slowing down anytime soon. If anything, it's accelerating. Currently, about 20% of American adults have a fitness club membership, a number that, in my opinion, could easily double in the next 10 - 15 years. So, what is driving this historic boom?

It's not just because new clubs are popping up everywhere. That's true, but that dynamic is being fueled by a number of important, and potentially unexpected, factors. Here are the key elements at play

that investors should be aware of if they are looking to invest in the health and fitness industry:

1. Health insurance costs. Healthy people cost much less to insure, and employers and insurers have finally realized that they can trim insurance costs by incentivizing healthy lifestyles. With spending on health care going up, up, up, that's a big deal for every company's bottom line, and it's great for the people who get to benefit from the incentives.

Many employers and insurers now cover the costs of a health club membership or studio classes, as long as an employee can show they actually use them. This is a very quickly-growing segment of the market; it's generally not large enough on

its own to drive the profitability of a health club or studio, but it has become a very valued source of supplemental revenue in the industry.

2. The new demand for healthy foods. In recent years, consumer demand has been moving away from industrial-scale processed food in favor of healthier, more natural and/or organic options. This switch is causing people across the country to be more conscious of the food they eat, which has had the runoff effect of making more people interested in fitness.

Once consumers start thinking more carefully about their dietary decisions, they naturally start thinking about other ways they can enhance their health. One
(See *Ben Midgley* Page 6)



Ben Midgley, CEO of Crunch Franchise

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Norm's Notes

■Hello Everybody! This is your Club Insider Publisher and Tribal Leader Since 1993 checking in with our 301st Monthly Edition! My son and partner, JUSTIN, and I want to wish you all a very Happy and Healthy New Year! THANKS to you, our readers, as well as our Club Insider Advertising and Author Teams, we're now in our 26th year of publishing. So, we want to Thank You for reading Club Insider! We're here to serve you, so never hesitate to reach out. I'm always standing by at Norm@clubinsideronline.com or (770) 635 - 7578.

■Is America a GREAT Country, or what? Every day, I feel very glad and blessed to be an American! And, as every day goes by, I thank the good Lord for the blessing of being among the very fortunate 4% of the world's population who are Americans! If you have never given this special 4% of the world's population any thought, I challenge you to do so now. I challenge you to be happy and proud to be an American, but I'm sure you already cherish that blessing, too. Yeah, I know... there are some of you out there among our over 10,500 monthly print and online readers around the world who're laughing at my writing and saying to yourself something like: "Norm! Are you EVER going to stop raving about how lucky you (and we) are to be Americans!?" My short and sweet answer is this: Hell yes, I'm gonna stop some day! I'm gonna

stop THE DAY the good Lord calls me home to the Promised Land, and that's for sure! Until then, I say to all of you: GOD BLESS AMERICA and STAY TUNED!!!

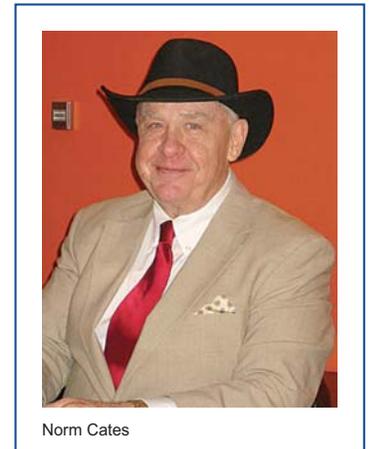
■First, before I do my annual duty of remembering those whom we lost from our industry during 2018, I want to wish a long-time friend of mine in our industry a happy birthday! Happy 91st Birthday to MR. RAY WILSON! With continued good health, MR. WILSON's 91st birthday will be February 19th, so I'm sending this Happy Birthday Note in January to be sure we're on time as our February edition will arrive after his birthday. I asked Mr. Wilson if he wanted to make any comments to you all, and this is what he wrote back to me via email: "NORM, TELL THEM THAT MY GOAL IS TO BE ON YOUR COVER FOR MY 95TH AND 100TH BIRTHDAYS (AND THAT ON THE 100th, I WANT YOU ON THE COVER WITH ME). RAY" You're ON, Mr. Wilson!

■Now folks, it's time to remember those we lost last year. The following writing has become an annual happening, and I do it every year in this space in memory of our friends and associates who passed away during 2018... they will be missed:

●BILL DUSSOR, IHRSA's Director of Meetings & Trade Shows emeritus, passed away on January 13, 2018 after a long health battle. While Bill was respected

and well-liked by the many industry leaders who have served on the IHRSA Board of Directors during his tenure at IHRSA over the past 25 years, the reality is that the vast majority of IHRSA members probably never had met Bill. If you ever attended an IHRSA event, though, then you've experienced the fruits of his labor. Bill worked diligently and tirelessly behind the scenes, logging an insane amount of late-night and pre-dawn work hours ensuring that each event went off without a hitch. IHRSA President and CEO, JOE MOORE, commented: "The IHRSA family is deeply saddened by the news of Bill's passing. He was unique, a person who could seamlessly orchestrate thousands of moving parts without seeking the limelight."

●DAVID SWOPE of Ossining, New York, the Co-Founder of Club Fit and a prominent Westchester Country, New York environmentalist, philanthropist, community leader and business owner, died Wednesday, January 31, 2018, at the age of 76. Swope was a lawyer at Manhattan firms until the late 1970s when he returned to his hometown of Ossining. It was then that he and his partner, BETH BECK, co-founded Club Fit Fitness Centers in Briarcliff Manor and Jefferson Valley, New York. Swope and Beck are considered pioneers in developing the concept of full-service health and fitness membership clubs.



Norm Cates

●FRED STRECK, partner with RICH BOGGS, RAY IRWIN and I in CourtSouth, back in the late 1970s and early 1980s, passed away on Father's Day, Sunday June 17, 2018 after a 12-year health battle. A memorial event was held at the home of his daughter, DANIELLE STRECK MUSOLF, in Marietta, Georgia on June 30th.

●JOHN S. WINEMAN, Jr., a true club industry pioneer, passed away on August 19, 2018 in Highland Park, Illinois, a suburb of Chicago. John was a long-time friend, club developer and owner, and association pioneer. John was also
(See Norm's Notes Page 7)

About Club Insider

CELEBRATING 26 YEARS OF TRUST

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Nadia

By: Mike Alpert

The story I want to share with you this month is about a beautiful young girl by the name of Nadia. I met her two years ago after my Facility Director shared a link to her story that was on *NBC News Los Angeles*. I was absolutely mesmerized as I watched the segment unfold, and I could not stop thinking about how lucky I was to be living a healthy and independent life in the United States.

Nadia was living with her mother, father, brother and sister in Syria, and during their attempt to flee the war-torn country, she was shot by a sniper and paralyzed. She was only 12 years old when this happened to her. Eventually, Nadia and her family found their way out of Syria and into a refugee camp in Jordan where they lived in very poor conditions. After three years in the camp, her family was able to migrate to the East Coast of the United States where

she was being treated at Yale University Medical Center. Finally, they resettled in Pomona, California, approximately eight miles from our Claremont Club in Claremont, California.

By the time of their arrival here in Claremont, Nadia was 18 and was the only member of her family that spoke English fluently. Her mother and father were illiterate and had not attended any formal schooling. They could only speak Farsi. They were living in a one-room apartment on the second floor, so her father had to carry her up and down a flight of stairs everyday. It was my *Facility Director, Mike Boos* who asked me if there was any way that we could help Nadia at our Center for spinal cord/paralysis, *The Perfect Step*.

Through the news channel, we were able to reach out to the local Muslim Mosque in Pomona and set up a meeting at our club with Nadia, her father, brother, sister and an interpreter. Seeing this young

woman in person for the first time I was taken by her bright smile and beautiful face and eyes. She sat across the table from me, and we began a conversation about her injury and her current condition. Being somewhat familiar with her culture, I asked the interpreter to tell her father that I needed to ask her some sensitive female questions in order to determine how we would work with her and to make sure that he knew that I had a daughter only a few years older than Nadia. With his consent, we continued, and it became very clear that she had a Urinary Tract Infection (UTI). She had not been instructed on how to care for, clean and replace her catheter. Being new to our country, and with absolutely no money, her family was unable to get her regular medical care. They had no insurance and had not been able to apply for Medicaid in California yet. But, during our meeting, Nadia reached across the table from me, took both of my hands in



Mike Alpert

hers and told me that she wanted to come to The Perfect Step at The Claremont Club.

This is where community comes (See *Mike Alpert* Page 7)

...Ben Midgley

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obvious way? Figuring out how to get more physically active, which might mean joining a health club or fitness studio.

3. Wearables. Devices such as the Fitbit, Apple Watch, Garmin and even many of the smartphones we carry around all day are putting personalized biometric health statistics at millions of people's fingertips. The ability for people to see how many steps they are taking in a day, how many calories they burn, what their heart rate is or what their blood pressure is, are making them much more in tune with how their body works and how they can improve their health.

It's kind of like the growing awareness of healthy eating: Once someone starts paying attention to this digital feedback, they start making healthier decisions in other aspects of their life. It makes people think things like, "How can I eat even better, how can I increase my activity or enjoy it more?" We've seen that this avenue of inquiry eventually drives many consumers to look for solutions in the health club or studio market.

The trend toward incorporating personalized health data into our daily lives isn't going away anytime soon, either. In fact, recently, one of the nation's oldest and largest life insurers, John Hancock, announced that they, "will stop underwriting traditional life insurance, and instead, sell only interactive policies that track fitness and health data through wearable devices and smartphones."

4. Streaming exercises classes. There have been streaming exercise classes here and there for a while, but now, they

are finally hitting the mainstream. That's great news for people with busy schedules, which is to say, pretty much all of us.

Before there were good streaming options, people who couldn't find that hour to get to the gym probably just wouldn't exercise. But, now, someone can stream an exercise class on the TV in his living room before he has to get the kids to school. Or, at lunchtime. Or, late at night... and on and on.

You might think that people who stream exercise classes have disintermediated the gym itself, but we've found the opposite is true; virtual exercisers typically also maintain a membership at a health club or studio. It makes sense because this combination gives them variety, social engagement and keeps them exercising longer. Many exercise advocates, and even beginners, now use multiple venues to stay on track with their fitness plan.

5. Budget-friendly gyms. Two segments of the health and fitness industry have been responsible for the majority of its recent growth in members and number of facilities: boutique fitness studios and "high-value, low-price" (HV/LP) health clubs.

HV/LP gyms are attracting members thanks to inexpensive memberships, typically in the \$10 - \$20 per-month range, and a good bang for the buck in terms of equipment, classes and amenities. Budget gyms have been around for years, but this new breed of HV/LP gyms typically beat out the more established budget players in the variety of fitness equipment and classes offered and the all-in-one pricing structure.

Traditional budget gyms usually offer a large club with a variety of equipment and some extra amenities such as tanning,

hydro massage loungers, dry saunas and assorted other benefits. The HV/LP category offers all the same amenities as the "low price" category plus things such as a greater variety of fitness equipment, group fitness classes, small group training and personal training. Given the better value proposition, it's no surprise that HV/LP clubs are increasingly becoming the dominant competitors in the health club market.

Less impactful, but still important, are boutique studios, which have also been growing very quickly all over the country. These studios are usually quite small and specialized. Spinning, high-intensity interval training classes, circuit training, Barre, Pilates, you name it, there is a boutique studio to fit that need. They are also generally on the higher-end price-wise, ranging from \$20 - \$50 a class or \$150 - \$200 month. Selling points for these are the central locations (since they can fit almost anywhere), the specialization, the camaraderie fostered by the smaller, more quaint environment. For the time being, consumers certainly don't seem to mind the prices, but time will tell, especially if the economy changes.

6. Outdoor obstacle races. You probably know someone who triumphantly completed a mud-soaked, high-flying obstacle course race on a recent weekend, right? These events have drawn huge crowds, and people are really enjoying the training for and the competition in these races, as well as the sense of teamwork and personal accomplishment that comes with completing one. These races have been growing in popularity for many years and have now broken out in to all different levels, for beginners through experts,

increasing their appeal, providing different difficulty levels as well as distances.

But, what makes these one-off events have such a major impact on the health and fitness industry's growth? You have to train for them... hard, and many times, people do it in a health club.



All these factors have combined to create a health and fitness industry that is growing faster than it ever has before. The current U.S. health and fitness facility count is approximately 35,000, though there are likely thousands of boutique studios that remain uncounted. Look for that number to go way up, and potentially double, in the next decade or two. That'll be great news for people invested in or working in the industry, of course. But, that pales in comparison to the fact that it means that millions more people across the country will be adding more years to their life and more life to their years.

(Ben Midgley is the Chief Executive Officer and Founding Partner of Crunch Franchise. Since 2010, he has led the creation and development of the company, driving the fastest launch of any full-size franchise in the history of the fitness industry. Previously, he was the President and Executive Vice President of Planet Fitness where he oversaw all aspects of franchise sales and development, improved sales of franchise units by 150% of total network volume and accelerated club openings by 70%. He was also a Senior Director of Corporate Sales at 24 Hour Fitness. Additionally, he is the co-author of the customer-service and sales-management book, Golden Circle Secrets.)

...Norm's Notes

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one of the original founders of CourtHouse I in Chicago in 1973, and he went on to help create IRSA, the International Racquet Sports Association (now known as IHRSA).

•**DONAHUE WILDMAN**, another true industry pioneer, passed away at age 85 at his Malibu estate on September 16, 2018. At the time of his passing, he was in the company of his wife, NIMINSHA, and sons DON, JR., BILL and JOHN. Don courageously fought a multi-year health battle. Known for his insatiable passion for healthy living, and for building the world largest health club chain, Don continued his infamous workouts right up until the day he died.

•**RON THOMPSON**, age 62, of Dana Point, California, another renowned giant in the health and fitness club industry, passed away suddenly on September 17, 2018. Ron was a pioneer in the growth of the global fitness industry, joining RAY WILSON in launching Family Fitness Centers in Southern California in the late 1970s, and later serving as COO of 24 Hour Fitness.

•**JOE ASCH**, age 60, was the Founder and Co-owner of The River Valley Club. He died on October 9, 2018.

•**MAURA BINKLEY**, age 21, beloved

daughter, sister and faithful friend, lost her life in a senseless act of violence in the Hot Yoga Studio on Thomasville Road in Tallahassee, Florida on November 2, 2018. It was a place she would go to maintain a balanced workout, something that was important to her. Maura had a kind and gentle spirit, was endlessly loyal, fearless and profoundly devoted to those she loved. She is survived by her father, JEFF; mother, MARGARET; brother, SEAN; grandmother, MARGARET; and numerous aunts, uncles and cousins, all of whom she loved dearly.

May BILL DUSSOR, DAVID SWOPE, FRED STRECK, JOHN WINEMAN, JR., DONAHUE WILDMAN, RON THOMPSON, JOE ASCH and MAURA BINKLEY REST IN PEACE, and may God Bless their souls.

■Welcome back to PAUL SCHALLER and his ABC Financial Team to our Club Insider Advertising Team! Be sure to check out the new ABC Financial Two Page Center Spread Ad on Pages #16 and #17. Also, check out BEN MIDGLEY's CRUNCH Fitness' new full-page ad location on our Inside Front Page, as well as on Page #3, Ben's article entitled: Six Reasons Why the Fitness Industry is Booming. Also, I want to point out that our Page #5, a Premier Ad Page for Club Insider, which is opposite Page #4, is NOW available. It is available because Crunch moved from Page #5 to our Inside Front Cover.

■At this time, we would like to express our sincere Thanks and Appreciation to CHRIS RONDEAU and his fine Team of people at Planet Fitness for their many years of advertising in Club Insider on our Inside Front Cover, and we wish them all well!

■DONNA KRECH has rebranded her long-running company from Thin & Healthy to be known as Wealth of Fitness, and you can learn more about their move by checking out their new Full-Page Ad on Page #15. Best of luck, Donna and Team, with your rebranding activities.

■Don't miss IHRSA's 38th Annual Convention and Trade Show in San Diego March 13th through 16th! IHRSA's huge event is the leader in gatherings for health, racquet and sports clubs worldwide with over 12,000 people from over 80 countries attending. There will be more than 150 educational sessions happening and over 400 Exhibitors at the Trade Show sharing what they have to help your club(s) succeed. When you go to the Trade Show, please be sure to drop by and visit our esteemed Club Insider Advertisers (See the Advertiser Directory on Page #30 of (See Norm's Notes Page 8)

...Mike Alpert

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together. I made a call to Pomona Valley Hospital and spoke with the Executive Administrative Assistant to their CEO and asked for help. I needed a female family physician who spoke Farsi to agree to give Nadia a complete physical exam and to do it free of charge as they had no insurance or money. They just so happened to have the doctor that was a match, and after talking with her, she not only agreed to do the physical exam but to continue to treat Nadia for several months until her family had Medicaid coverage. So many good people in the community of Claremont came together to provide food, clothing, personal hygiene products, books, bedding, household goods, etc. And, we began a year-long program of treating Nadia with our Exercise Based Therapy Program at no cost. We also included all programs and membership at the Claremont Club to the family so that they were able to exercise and make new friends. Again, proof that people with good hearts can make miracles happen for those less fortunate.

During that year, I was able to see Nadia mature and grow as a lovely young woman. Her strength and functionality got better and better by the week. Her smile grew brighter and wider, and she always

reached out to hold my hand in a way to say, "Thank you." She was so grateful. She made many friends and enjoyed school where she was doing so well. Her overall health and quality of life was so much better than it had been years before.

Unfortunately, this story has a very sad ending. Nadia dropped out of our program for reasons we don't know. It had been about a year since I saw her last, and then, I received a phone call the week before Christmas informing me that she had passed away. We believe that she incurred a pressure sore that went untreated. Ultimately, it turned into a Sepsis infection which got into her blood stream and caused her death. Pressure sores are one of the leading causes of many serious and often fatal diseases that occur with people who are paralyzed and who are inactive. It also proves that exercise and load bearing is so beneficial in treating paralysis. It improves blood circulation; bone strength; muscle mass and overall emotional wellbeing.

**Exercise IS Medicine.
May Nadia Rest In Peace.**

(Mike Alpert is the President and CEO of The Claremont Club in Claremont, California. Mike can be reached at malpert@claremontclub.com.)



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...Norm's Notes

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this edition), and be sure to tell them **Norm and Justin from Club Insider sent you!**

■ **Don't forget** to make plans to attend the **Club Industry Show in Chicago**, which will be held at the same location as last year, the **Chicago Hilton, Wednesday through Friday, October 9 - 11th!**

■ **CHOICE!** That's the **WORD** for the week, delivered by my **40+ year friend, RAY GORDON**, and the lovely **LIZA LUGO**

from the **Apple Athletic Club in Idaho**. Here's the deal. Once a week Ray (I call him **RayBob**) and Liza are working together to produce a video presentation that they call **RAY's CORNER**. The first two presentations I've seen lasted about ten minutes each, and I think this might be great for you and your members to access. To view the video presentations, check out *Ray's Corner* by **Liking and Following the Apple Athletic Club Page on Facebook at www.facebook.com/AppleAthleticClub**. You can also email Liza at **lizalugo3@gmail.com**. **Stay tuned**, as I'll be following up!

■ **In Hilton Head Island, South Carolina**, the **Professional Pickleball Registry (PPR)** has announced the hiring of **NICOLE HOBSON** as its *first* full-time employee. As **Member Services Manager**, Nicole will serve more than **1,000 PPR members**. **Best of luck, Nicole, as you move into your new job and home!**

■ **The Rome, New York YMCA** plans to launch a fundraising campaign for a new facility, according to an article in the **Rome Daily Sentinel** written by **MAC BULLOCK**. FYI to all my readers, I went to **Rome Free Academy High School in Rome, New York**, and I stay in touch with Rome through the **Rome Daily Sentinel Newspaper** and occasionally speaking to my good friend, **RUSS MARCHIONE**. Here's a brief rundown on the **YMCA plans**, and I log on with this comment today in protest of the continued fact that **YMCAs of America everywhere STILL enjoy a TOTALLY and ABSOLUTELY UNFAIR COMPETITIVE ADVANTAGE over you for-profit club owner/operators!** I, for one, believe something should be done to level the playing field between non-profits, such as the YMCAs and the JCCs, and for-profit health clubs like your club(s).

That being said, the new YMCA announcement stated that it will begin a fundraising campaign in coming months, and they're hoping to relocate by 2021 or 2022, according to the **YMCA CEO, HANK LEO**. They're planning to build a 62,000 square-foot facility, and they're budgeting \$12 million for the project. Already, they've received \$2 million from an economic development grant award, and their plan is to build the new Y debt free.

In my opinion, our club industry needs to create a campaign that puts commercial health clubs on an equal basis when it comes to fundraising, federal and state income taxes, and any other advantage YMCAs and JCCs have over for-profit commercial club owner/operators. Yeah, I can hear you saying something like, "Yeah right, Norm! We haven't got a snow ball's chance in Hell of pulling off such a sea change! The YMCAs and JCCs are going to have those advantages FOREVER!!!" Well, to you folks who're thinking that, I simply say: **STAY TUNED!**

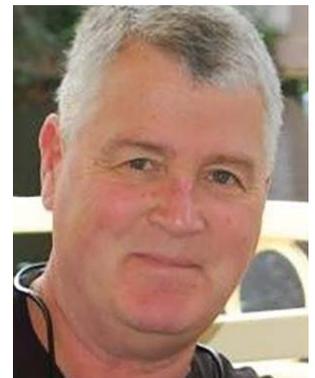
■ **DOUG CASH**, Veteran Tennis Pro and Promoter, was honored by **Tennis Industry Magazine** in their January 2019 Edition with their **18th Annual Tennis Industry Champions Awards**. Specifically, Doug received the **Industry Service Award**. **CONGRATULATIONS Doug!**

■ **JUSTIN** and I want to say **THANK YOU** for reading **Club Insider!**

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■ **God bless our troops, airmen and sailors worldwide and keep them safe**. Thank you, **Congratulations and Welcome Home** to all of our troops who've served in **Iraq, Afghanistan, and around the world**. **God bless America's Policemen and women and Firemen and women and keep them safe**. **God bless you, your family and your club(s)**. **God Bless America! Laus Deo!**

(Norm Cates, Jr. is a 40+ year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of Club Insider, now in its 26th year of publication. Cates was IHRSA's First President, and a Co-Founder with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. In 2017, Cates was honored with Club Industry's Lifetime Achievement Award. Cates can be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)



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...VASA Fitness

continued from page 3

once a cup of coffee in your kitchen but is now an experience shared with others in a retail location called Starbucks, fitness has become a mind, body and soul experience to be shared with others in a beautiful setting. And, like Starbucks, the price can be a blank check, depending on what a brand can offer.

Not exactly an original HV/LP club like Planet Fitness, and also not exactly a high-end facility such as Life Time Fitness or Equinox, VASA is successfully creating something in the middle that merges the two and at a price that, honestly, is hard to believe. VASA CEO, Rich Nelsen, calls it HV/LP 3.0. It is where an expanded facility size meets expanded amenities meets excellent programming, while looking great doing it and the price for the consumer is lower than you would expect... It's too good to be true right!?

No, it is happening, and it is happening now. Of course, this cannot be done in every market, though. The strategy and demographics of VASA makes it possible for them within the markets they choose to operate: rejuvenating available closed and old retail locations; the willingness of middle-income households to spend hard-earned dollars on their wellbeing (at \$9.99 entry); and those members then investing in the boutique experiences they see and hear about at an increased price (\$19.99 and \$49.99 per month... not per session!).

The things VASA Fitness is doing, both in their facility design, as well as pricing strategies to support their model are very interesting, and for this story, that is only touching the surface. To learn even more, I welcome you to read on as we interview VASA Fitness CEO, Rich Nelsen.

An Interview With Rich Nelsen, CEO of VASA Fitness

Club Insider (C.I.) - Following your

extensive career with Starbucks, when and how did you become involved in the health and fitness club industry?

Rich Nelsen (RN) - I love this industry. I had an opportunity to work at Starbucks for 14 years, both internationally and domestically. I said I would never leave Starbucks—it would be crazy to leave there—*unless I could be the CEO of a fitness company.* Fitness is my passion, and I have two kids who are athletes. So, what a way to give back at this point in my journey, helping to change people's lives and be part of a success story. I got a call about a small growth company out of Utah that wanted to spread their brand across the U.S., so here we are. We have a very clear path for growth across the next five years. We entered into Arizona over the holiday and are off to a good start there. We are entering Oklahoma City, and we continue to grow in Denver and Utah. Last year, on average, we have opened a club a month. Well, we didn't exactly do one a month because we opened four in December: two in Utah and two in Phoenix.

C.I. - Since the creation of and changeover to the VASA brand in 2014, growth has exploded, more than doubling the number of locations and expanding into Arizona, Colorado, Kansas and Oklahoma. Please tell us about how this accelerated growth has been achieved, as well as managed, to ensure quality and balance.

RN - It's exciting to be part of a growth company and a growth story. This company is very interesting in that it was built on the platform of group fitness. Then, the Founder owned some Gold's Gyms, so those were married together into a combination of group fitness meets the gym. So, the product was really well done. In today's industry, you've got to be really clear about your strategy. If you're not really clear, you can be caught in the middle. So, we are super clear. We are about creating an experience. That makes it easy for people to wrap their arms around, both internally and externally.



Welcome to VASA Fitness

C.I. - Why have these specific states been targeted for growth? Where are you headed next?

RN - Geographically, they are contiguous, but they also match similar demographics. It's a little premature to announce the states we are entering, but we are opening 12 more clubs in 2019.

C.I. - When the name and brand change occurred in 2014, some new investors also came on board. Are they your key method for financing?

RN - We have solid banking relationships and a great partner with *Silver Oaks Partners* in the private equity space to help facilitate us through the growth.

HV/LP 3.0

C.I. - With the facilities you are building, you can tell!

RN - They are absolutely beautiful, and they are doing very well. We look at it like HV/LP 3.0. What's the difference between 2.0 and 3.0? A few things:

1. Size;
2. Amenities and their quality;
3. And, most importantly, programming.

The beauty of companies who started the category, like Planet Fitness, is

their model works for them. And, it works for their investors. Who wouldn't have wanted to be part of that? But, you have to think about how do we evolve in this industry? It's becoming more of a retail industry than just fitness, right? So, we are building our clubs so we can continue to modify and upgrade programming as the consumer dictates.

If you look at one of our clubs, the main floor is Planet Fitness-esque, if you will. It's your standard gym. But, if you look outside the gym area, the amenities around it, it's sort of a mall of fitness. Each one of those cubes has to earn its right, whether it's racquetball, basketball, swimming, group fitness, cycling, etc., they earn their keep. One of the things we want to be known for is knowing our customers better than anybody, and we will provide programming that matches the city and the community that is there, without trying to make our product too complex.

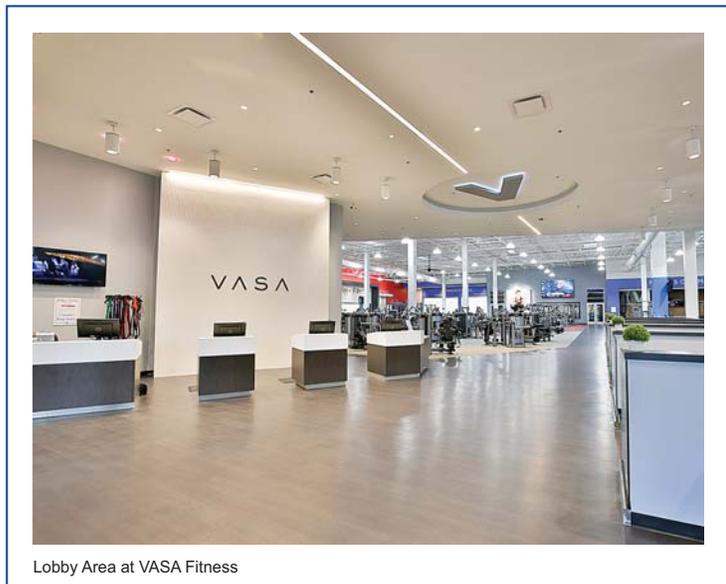
C.I. - It's nice having a good toolbox where you can do that. Study the demographics and pull in the tools you need to make each facility unique to that area.

RN - Exactly. An example would be in Thunderbird, where we have the largest free weights gym in the company, and probably, in Phoenix. And, we gave up racquetball space for it. In Chandler, we have a different demographic, so we left racquetball in and have a smaller free weight section. So, we are able to morph to the membership without losing our identity as a brand.

The VASA Facility

C.I. - Let's talk about a typical VASA facility. What is the size and quality of a typical site? And, what type of sites do you typically prefer (malls, shopping centers, etc.)?

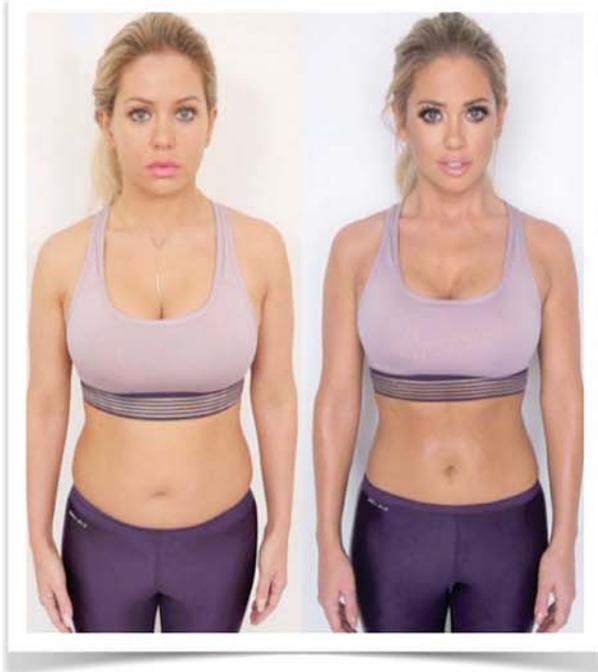
RN - You see those signs that say, 'We buy old houses.' Well, we buy old real estate, and we improve the communities we are
(See VASA Fitness Page 12)



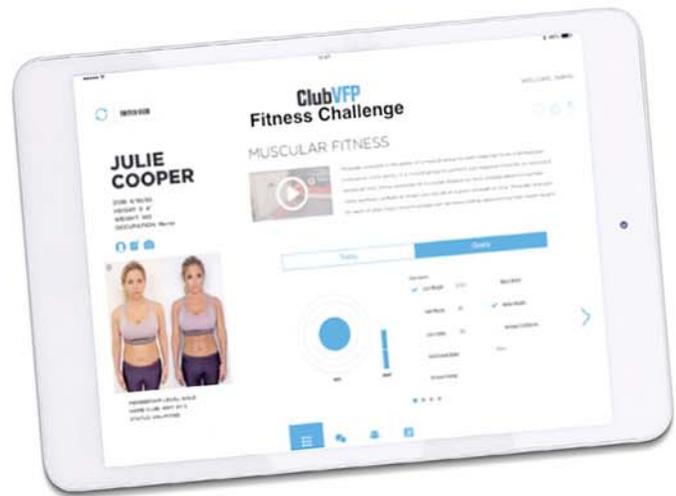
Lobby Area at VASA Fitness



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...VASA Fitness

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in. We buy 55,000 - 60,000 square-foot facilities, so largely, old supermarkets are great for us. They are an eye-sore to the community, so we can come in, create a pop and add value back to the community. And, of course, grocery stores are in the right places.

C.I. - Do you typically own the real estate or lease?

RN - We use different facilities to get there, but we effectively lease all of our buildings.

C.I. - With the brick and mortar retail downturn, I bet there is no shortage of spaces for you to look at.

RN - Well, you saw Sears yesterday (January 7), and you hate for other people to go out of business for your success. In the consolidation mode since 2008, we've had the benefit of not only making the communities better, but our buildings outside are just as beautiful as inside. So, we have had a lot of positive response from communities in the regeneration of properties. And, obviously, beautiful rent as well.

C.I. - What is the typical square footage of a location?

RN - Typically, 60,000 square feet is ideal. At the bottom end is 50,000. We typically have 500 parking spaces and all the appropriate amenities to go with that.

C.I. - Please take us through a typical buildout process.

RN - It's an 11-month process start to finish, everything from scraping the inside out to the final product. We have a playbook for the entire process. Every week is identified through the whole year, and once we have broken ground, we have a game plan for everything from marketing to operations to the community effort, etc. I was fortunate to come up in the middle part of the United States, where in my region, we were

opening 100 Starbucks a year. You get a lot of experience in that.

If you think of our business: it's people, then the facility, then you have programming and amenities. For us, as a company, we have leveraged our internal talent. So, what makes us different is that we have embraced the leadership who built this company, but we have also brought in new people. For example, we brought in **Tim Mullany**, who was the *CFO of Rave Restaurants*, which was both public and private, and he also worked for Smashburger. We also brought in **Jack Roddy**, who was the *Chief People Officer at SeaWorld* and also worked with me at Starbucks. And, there is **Caroline Gregory**, who comes from *Nike's Product Innovation Team*. Additionally, we will make a couple more people announcements in the next few months as we continue to grow. We are excited that we are bringing in industry experience, but we are also bringing in experience in retail and building a culture-rich organization. One of the things we are proud of is that we are a people-first company.

C.I. - I love it. That's what it's about in this industry.

RN - That is ALL it is about. If you can make a difference for someone, whether they work for you or they are a guest, that's really what it's all about.

C.I. - What is the thinking for building large HV/LP facilities vs. the standard 15,000 - 20,000 square-foot models? What are the incremental economics given higher costs to build and operate facilities, and thus, the need for more members?

RN - If you look at the 15,000 square-foot facilities, that's kind of the center of our clubs. We are essentially, spending the same amount of money or less creating the same space that they have. Then, you think about the higher end clubs; we are probably developing the same amenity space that they are for half the price. People say to us, 'Wow, you build beautiful gyms. They



Main Workout Floor at VASA Fitness

must have cost a fortune.' For what we are giving the consumer, we are high value, low cost. You also need to think about the fact that we are regenerating properties. So, we feature HV/LP 1.0 in the center of the gym, then we build an amenity set around it that drives additional membership to the club. We wouldn't be able to do it if we didn't have incredibly strong group fitness programming and other programming in the gym, and that's really what is driving the additional revenue.

Still, it is all about keeping it simple and straight forward. There is no sense in being super fancy. For example, Fitness Cinema doesn't cost us anymore money to run, but it's a huge amenity benefit that draws extra members. Or, you add basketball. It takes up a lot of space, but once you've spent the money, it's a huge amenity for the community; particularly in the communities we are in (middle income), there just aren't many places to hang out anymore. The latest programming we've added is Olympic Lifting, and the platforms we've added into four clubs so far are being used equally by males and females. So, we are relating to that CrossFit phase that has happened to the industry and not ignoring it.

One of the things I'm proud of is that we are building clubs that can roll with trends and not be so expensive that you

have to remodel a whole club. You can just take a section and change it.

C.I. - So, looking to the future, that gives you the ability to be ready for something that may not be invented yet. You can take something that isn't being used as much out and repurpose that space for the future because you already have it.

RN - Exactly, we are building them that way and with that in mind. For example, we just announced Studio Red in Phoenix. We have team training in other markets, but we wanted to up the level of our HIIT training. It has taken off, and the response has been incredible. So, in Arizona, for \$49.99, you get team training and cycling. This is studio level programming with studio level instructors. Again, there's not much more cost for the amenity, but it's a huge benefit to the member who was spending \$30 a class and is now just spending \$30 more per month for their membership.

Nothing is recession proof, but we want to take our lessons from 2008 and say we learned a lot. So, how do we build our programming so we are the place everyone goes to for value were that to ever happen again? We believe we have built our model to keep costs low and value high.

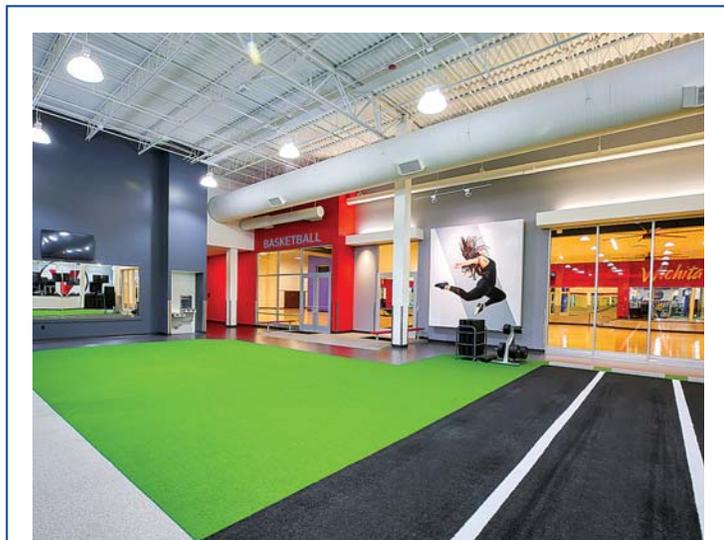
The VASA Membership

C.I. - Let's talk about the Membership of VASA Fitness. Does VASA charge an initiation fee? If so, how much is that fee, and is it ever used as a discount incentive?

RN - We do, and it does vary from month to month and market to market. An example would be that we have \$19.99 in Arizona, and it's \$21.99 in other markets. Another part of managing those fees is about lead generation and creating value, so sometimes, you charge more for those things and then come back and discount it.

The goal for us, though, is for everything to be month to month. We want people to feel like they are staying because

(See *VASA Fitness* Page 14)



Functional Training Area at VASA Fitness



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...VASA Fitness

continued from page 12

they want to stay, not because they have to stay. With the annual fee/price protection fee, people can see that it did save them some money. But, more importantly, it really keeps people being committed to the gym.

C.I. - What are VASA's membership options? How much does each cost, and what is included with each?

RN - We have a \$9.99 product that is sort of for everyone. We have a \$19.99 product that create a little bit more of an experience. And, we have a boutique-like experience at \$49.99 in that we offer training and other things.

C.I. - How many members does a typical facility have at maturity? System-wide, how many members does VASA now have?

RN - I think we will keep that one under wraps, but I will say, 'A lot.' We are hitting our pro formas in every new club, and we have growth in our existing base.

C.I. - Once again, it's a New Year and our industry knows what that means. This year, what is VASA doing to attract members with resolutions and then to help them achieve their goals? What are your main marketing tools and channels?

RN - We have made a large investment in our base by remodeling all of our clubs last year. We gave them a new inside look and paint scheme, and in some cases, added amenities like team training. As people look at us in the New Year, they see that we really do invest in our clubs. So, one of the best things we did for our salespeople was to give them nice updated facilities. Many of our competitors have squeezed that, and it's certainly a way to take some money off the table. But, for us and our investors, we believed in investing quite a bit last year, and we will continue to do that again this year. We want all of our clubs to have the same level of offerings so that, as

our brand expands across the U.S., it has staying power.

In terms of sales tools, we use all the things the industry uses, but there is nothing better than referrals. We leverage referrals pretty significantly. Our members are the best way to attract new members. Obviously, we discount from time to time, but we try to stay away from that because we believe our offer is very, very good. So, if we can get you in to try the facility, we believe we can close. So, \$9.99 gets you in, and most people upgrade to \$19.99. Our job isn't really to sell it. We share the product, show what they would pay elsewhere for the same product and the rest takes care of itself. We also have a large online business and a large commercial business.

Key Market Differentiators and VASA's Communities

C.I. - You have already mentioned a few of these, but I want to ask the question formally: From a 10,000-foot view, what are the Key Market Differentiators of VASA Fitness? Locally, what is VASA known for in the markets it enters?

RN - Everyone leads with the facility itself, but I really believe our differentiator is our people. The culture of this company built since 1980 has really transcended every new club. *Uplift* is our mantra, and our job is to make someone's day better. We certainly have a long way to go in terms of delivering that, but there is not one person here who doesn't believe we can. We have a beautiful relationship with our Founder, who still works with our team and is part of our development team. Our Board works out with and hangs out with our team when they are here for Board meetings. It's all for one, and that's a pretty once in a lifetime thing when you have a Board that is committed to the product as well as the profit strength.

After people, our building is number two. Number three, you have to look at the design of our clubs. In my previous life at Starbucks, I was in charge



Group Fitness at VASA Fitness

of all the store design for Europe and the Middle East. I can tell you that we are putting as much passion into these designs as we did into those. Each detail is debated. But, we are also getting to a place where we have the right product, so how do we keep stamping them out in a locally relevant way?

The other hidden weapon is that we have hired a woman named **Dorris Thews**. She is in charge of all of our group fitness, team training and studio products, and she has just brought an energy and enthusiasm to our business that is just unparalleled. If you walk into a VASA, group fitness is a huge focus in a time where many are moving away from that. I got back into Utah this morning, and at 10AM, there were 110 people in a Zumba class.

C.I. - You've already discussed the fact that repurposing old buildings to become your facilities rejuvenates the communities in which they operate. What else does VASA do to connect with and give back to these communities?

RN - Last year, we did food drives in all of our communities. We also participated in local Chamber events and participated in local fundraisers, 5Ks, half marathons, etc. We are going to continue to do that. But, as we grow, we really want the managers to

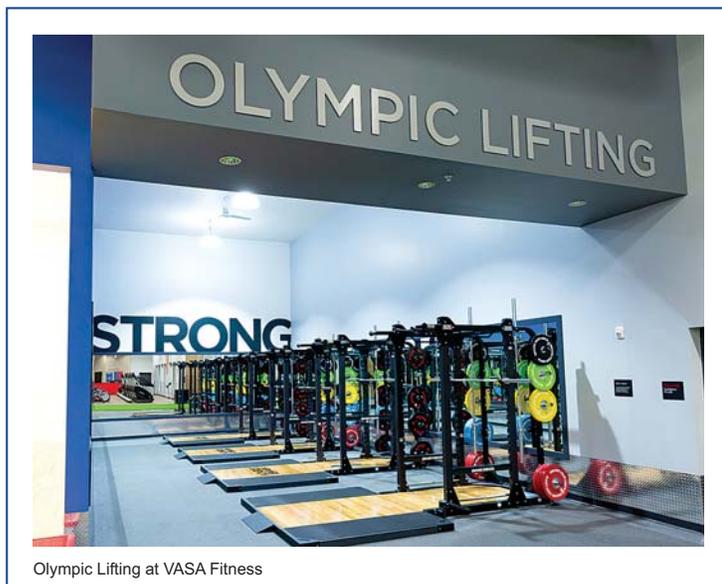
get really local. Community is a big part of what we want to be known for, and I think we are just in the beginning of that. We are obviously great at it in Utah, but as we moved out, we have not been as effective as I think we can be.

Lessons Learned and The Future

C.I. - Given the growing population of the HV/LP space, are there any brands that you admire? Do you share an informal Roundtable group with other similar companies?

RN - We lean on IHRSA quite a bit in terms of sharing. That has been more challenging, though, with all the investment coming in. Everyone is chasing the same prize, so it hasn't been as open. I'm friends with the leaders of *Fitness Connection*, and I admire what they are doing. Though we are doing something very different, both models work but you have to admire how they got there. I admire *Planet Fitness*. They know their model, and they are running their play. They've made 'No Judgement' work, and the franchise model works for them. There are things to be learned from that, such as how simple they keep things and how it is replicable, etc. But, we don't let that distort us from being crystal clear with where we want to go.

We also have the benefit of having **Gene Lamott** on our Board. He was a *Chairman of IHRSA* and the *President of Gold's Gym*, so if I ever have a question, having him a phone call away is a beautiful thing. Even though I have been outside Starbucks for two years, there is a lot to learn in this industry, and it is moving incredibly fast. I believe I bring a fresh mind to the table, but taking a moment and reflecting on the learnings across many years is important. What were the challenges of 2008? How can we learn from them? What are the worst-case scenarios vs. the best-case scenarios? Etc. We are fortunate in that we have a good balance of
(See *VASA Fitness* Page 18)



Olympic Lifting at VASA Fitness



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"...in the first month, we made over \$250,000 just with the 20/30 program!"

We had just gotten back from IHRSA. The week before that, Aaron was sitting in bankruptcy lawyer offices. It was very scary at the time. We didn't know what our future was going to be.

I was terrified. We didn't have the money to do this license, and then the home office wanted me to come and ask these people that didn't have any money, to drop this amount of money on a 30-day program, because

at the time I didn't know it was a long-term program. They wanted me to do this and I thought, "Who's going to work this stuff and we're going to run a boot camp and I have a son, and we have a marriage. I don't even understand. Where is your mind in all of this?"



Jennifer Stafford - 20/30 Fast Track Licensee

"...now we have people that would have never stepped foot into a gym."

I had NO IDEA how simple it all really was going to be.

"Within the first year, we put over 1,500 people through the program..."

You actually get to DO the program before you introduce it to your club. So, I said, "If I lose 15 pounds, it would be a win. The first week I was down 13 pounds and super excited, pumped! and They said to me, "Oh, you've only got two pounds to go and you'll be at your goal." Of course, I'm competitive, so I thought, "Oh no, we'll see how far we can take this!" By the time I got to training, I was already down 20 pounds in two weeks!

"We produced 1.6 million the first year! It's just been phenomenal."

From that point, we got introduced the 20/30 program and in the first month, we made over \$250,000 just with the 20/30 program!

Our clientele now is completely different than the clientele we had before. We had people that were

interested in fitness, and now we have people that would have never stepped foot into a gym. They would not have even considered it. It was the last thing on their mind. They wanted to lose weight before they got into the gym.

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...VASA Fitness

continued from page 14

history here.

Last year, I didn't attend IHRSA because we had so much going, and it required focus. And, I believe that, when you go to IHRSA, you need to have intent. There is so much public policy I feel we can make an impact on together. There are so many new trends with consumer behavior I believe we can learn from each other about. Whether you're at the highest end of Life Time or the lowest end of HV/LP 1.0, there is something to learn from everyone. We are taking a fairly good contingent there this year, and the theme will be learning and development. How can we learn as much as we can learn? And, how can we develop each other in the journey?

C.I. - What are some of the lessons you learned at Starbucks that you are now applying to the health and fitness club industry?

RN - 1. I think culture trumps strategy. It's great to have a perfect strategy, but if you have an amazing culture, it makes up for a lot of sins. Starbucks obviously has a great strategy, but that strategy has morphed across 40 years. When Starbucks has wavered, at least when I was there, it was because the culture wavered, not the strategy. I wasn't too far from the corner office, so I got to learn that more often than I'd like to remember.

2. I led franchisees as well as company-owned stores. When you lead franchisees, they just want to know how to make more money, so I learned how other people made money and how to apply those same questions against everything we do. Challenge everything. It doesn't mean you change anything, but you challenge your own mindset. There is so much change in the industry that people are really interested. It's moving so fast. With consolidation and bringing private equity in, everyone is trying to find their niche and get there as fast as they can.

3. I learned this specifically from **Howard Schultz**. Across 14 years, I spent a fair amount of time with him, and I probably remember every interaction, though he might not. But, I learned that details always matter, and you are only as good as your relationship with the person who is serving the customer. That's all that matters really. To be a CEO and the person in charge, people have to trust you, both internally and externally, whether it's your Board or the person checking everyone in.

C.I. - Looking at the industry as a whole, what are some of your conclusions compared to your original expectations?

RN - 1. It's way more competitive than I would have realized. From the outside in, you see a couple of competitors that are national brands. But, it's really competitive, and it's competitive at each club. Competing at every club matters.

2. There is enough room for everyone, but there is not room for people who don't have a clear vision for what they are trying to do. If it's not clear to your consumer who you are trying to be, you will get left behind.

3. For us, growth is good, but we have to do it in a very disciplined and organized way. When we say we are going to open 12 clubs this year, growth is not for growth's sake. If we are going to lose clarity with our brand, we will stop and get it right before we proceed with another club.

4. It's hard work. This is not the easiest business you can be in, and our people work incredibly hard delivering the experience they do for the members.

C.I. - VASA's growth over the past five years has been impressive. What will the next five years look like? How many new builds a year? Are you looking to achieve some growth through acquisition?

RN - The one part of that question I can answer is that we do not have an acquisition focus. That is not our way to grow. Our strategy is finding underprivileged real estate and adding back to the community. We are very clear with the demographics that work for us, and we will move as fast as those become available and not any faster. Whether that's twice the number or half the number, it's a wait and see. I wish I could tell you it's a massive number and get everyone excited about it, but I believe we have to take it one location at a time. We have to prove to ourselves that we deserve to grow. As we learn from mistakes with each build, do we deserve the right to build another one? We've got to look at our team in Utah and say, 'You paved the way for us to build new clubs.' They don't want us out spending money if it's not making the company better.

■ ■ ■

Thank you very much to **Rich Nelsen** for his time interviewing for this cover story. Thank you also to **TJ Wardell** for his assistance throughout the process. We wish VASA Fitness the best as they continue their expansion in 2019 and beyond! *And, of course, we wish you, our readers, the best in 2019, personally and professionally!*

(Justin Cates is a Partner and the Assistant Publisher of Club Insider and grew up in the health and fitness club industry. Justin was born into a club business family in 1985, and from the age of eight, he spent his non-school and sports hours in a home that doubled as Club Insider Headquarters. He has lived and breathed this industry for 33 years, since his own day one. Cates graduated from the Terry College of Business at The University of Georgia in 2007 and then went on to two years at The Art Institute of Atlanta, where he studied Interactive Media Design. Now, he is an integral part of the "Story" of Norm Cates and Club Insider. Justin can be reached by phone at 423-314-4310 or email at Justin@clubinsideronline.com)



Group Cycle at VASA Fitness



Relaxation at VASA Fitness



Child Care at VASA Fitness

Let's Roll The Tape

By: **Michael Gelfgot**

"Let's roll the tape" is what my wrestling coach would tell us at the end of every wrestling practice. The entire wrestling team would sit around a TV, and we would all watch a few wrestling matches from the previous weekend. The goal was to find one thing that a wrestler did well during the match and one thing that the wrestler could improve on during this week's practice. Once that was discovered, then at least 20% of the time during practice, the focus would be on that one thing that wasn't done so well. The impact this approach had on our skill set as wrestlers was massive.

Most of us don't have a very good sense of awareness of our daily patterns, routines that we all go through day to day. When it comes to selling, what is an approach one can use to drastically improve his sales game and become aware of what he is doing right and what he needs to improve on? In sports, it's watching film with your coach or teammates, reviewing the tape and dissecting your game so you can improve. Most salespeople think that, because we are going into January, there are plenty of prospects, and we can "afford"

to miss a few sales. This sort of mentality will get you in trouble because, essentially, what you might be saying is, "I tolerate missing people because we have so many people to sit down with." In other words, it's okay for me as a salesperson to miss people I shouldn't miss. It's not naive to believe that the majority of the people you sit down with should buy from you.

Let's take a look at a few strategies that all salespeople should adopt to drastically improve their ability to influence prospects to buy:

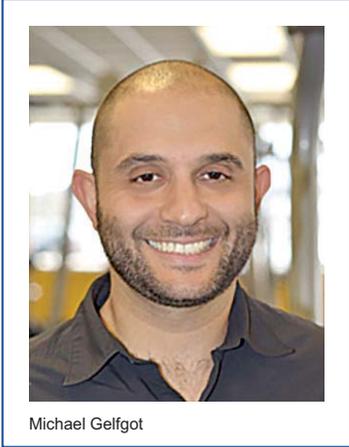
Strategy #1 | Have a Sales Process - This might sound very obvious, but do you have a step-by-step sales process? A sales process is like an assembly line. When something breaks down, you should be able to troubleshoot and figure out exactly where the breakdown in the line was and fix it. When role-playing sales, certain parts of the process should be role-played in order to make it effective. *Selling Fitness* and *Selling Personal Training* by **Casey Conrad** are excellent resources to adopt or improve any fitness sales process.

Strategy #2 | Do You Have it in Print/

Video - By "it," I mean your sales process. If you have a sales process, do you have it written down/recorded with scripts to teach others how to do it? If all you ever did was record your sales process in print and video and brainwashed your salespeople, their skills would drastically improve. **Side Note:** sales, influence and persuasion are nothing more than skills anyone can improve in as long as they practice them.

Strategy #3 | Set 20% of Your Day to Role Play - Assuming you have #1 and #2 in order, set aside 30 - 120 minutes per day, every day to practice your skills. Here are a few thoughts to keep in mind when role-playing:

1. We've all heard of the expression: "Practice like you play." What does that mean when it comes to sales? It means that, when you are role-playing, pretend that you are a prospect you sat down with earlier in the week. Show empathy by pretending what it would be like to be that prospect. Try to mirror that person's physiology, the way they talk and the way they think. We can all pretend to be someone else; kids do that all the time.



Michael Gelfgot

2. The other strategy is to be yourself and go through the sales process as if you were the prospect. *Practice like you play.* The more real you make each scenario, the more prepared you will be for the real thing.
3. Role-play certain parts of the sales process. Hyper-focus your time daily on a (See **Michael Gelfgot** Page 21)

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My Most Important Coaching "Mission"

By: **Jarod Cogswell**

I recently received the honor of being selected as a coach for this year's U.S. Army's BOSS Strong Competition, to serve our country's most important athletes, the U.S. military. To say I was proud to lead my team of soldiers, rub elbows with some of the world's best fitness professionals and represent the Alpha Warrior coaching team is a huge understatement. Admittedly, I was a bit nervous not knowing what to fully expect from a physical, mental and emotional perspective. However, as a long-time mountain climber and rescuer, I relished the opportunity to support and lead the team that chose me in any/all conditions we were to be dealt.

The first unexpected surprise? I was selected as the first coach by the team representing the U.S. Army in Europe, specifically from *Vicenza, Italy*. Two of the team members were on last year's winning squad, and I can't really explain the feeling that I had after six wild, fierce and aggressive Airborne soldiers chose me to lead them to the championship. From that moment, I never took the gift they gave me for granted, and I spent every waking hour for the next 15 days learning from them and about them, coaching them and doing my very best to inspire this team of committed soldiers.

Like most experiences, there were many reminders and lessons learned along the way. Here are a few:

"They don't care what you know, unless they know you care." I'm usually called into coaching and consulting jobs to repair breakdowns. However, this team was actually full of confidence and tenacity. I had to tweak my approach, and instead of immediately sharing my knowledge and experience, I decided to live among them and get a glimpse of the world from their eyes... listen to their music; listen to their conversations; and let them strategize, fail and succeed together, sometimes on their own.

Days later, in a team interview, it seemed to all pay off as they validated me as their leader. Their words in that segment hit me in the heart, and now, I knew we could then begin digging deeper physically, mentally and emotionally with one another. Once I gained their trust and confidence, it was time to combine all of our strengths collectively and go full throttle... And, we did.

The best leaders play in the trenches. In addition to our competitors, I met some of the most impressive leaders during our time at Fort Bragg, and it was refreshing to watch and listen to some of the military officers participate in our workouts side by

side with their soldiers. They actually took the time to talk to them, ask them sincere questions and even joke around with them. The military can be a very monotonous and challenging living environment, but these leaders seemed to do everything possible to maintain positive and high energy morale.

Other Takeaways:

- Hold your team accountable to the mission, but don't micromanage. Let them fail and figure out things for themselves if the situation allows for it.

- Be tenacious with genuine support and encouragement, but don't over praise. Keep them "hungry."

- Don't complain. When challenges and frustrations arise, the Army taught me to use the phrase, "Too Easy." Got a problem? Too Easy.

- Always be on the lookout to inspire your team members. Find out what makes them tick individually.

- Strive to continuously raise your leadership bar. Tweak your approach when it calls for it. Be cool during stressful moments. Be enthusiastic to stoke the fire.

- Lift up those around you in a way that helps provide them with avenues to realize their strengths. Then, allow them to utilize their strengths to improve the team.

- Don't give up on someone without first seeking to understand them. You might just be the one that helps them navigate their scars of dealing with a troubled past

(or other situations). Your time and effort can be game changing to that person. Say, "yes," to the challenge instead of taking the easy road. Leave a legacy of serving others vs. serving yourself.

- A team relies on EVERYone, and who you might think is your weakest link actually has a lot to offer, that's for sure! Be a strong leader and help them find their productive spot on the team.

■ ■ ■

In the end, I'm happy to say that Team Europe won this year's BOSS Strong Championship. It's a moment in my professional life that I will never, ever forget. It was exhausting, and at times, emotional. And, I guess that's why it was so special. I put every ounce of energy I had and utilized every past experience to do what I could to support, lead and inspire this team of special young men. Being back home, I miss them, so we promised to keep in touch. I will continue to coach them, listen to them and be there for them no matter what. I promised them from the beginning that they had a friend in me for life, and we would conquer many mountains together. Now, it's time to live up to that promise.

Lastly, my fellow coaches inspired me as well. We did everything possible at every interaction to spark one another up and lead with passion and positive intensity. In fact, it was my newfound brother and roommate during the competition, **Coach Yancy Culp**, that continually reminded me, *"Whatever you do, live each day fully, lead with everything you got, scrape every opportunity and be grateful for every second, so when it's all said and done, you die knowing you gave them and it*



Jarod Cogswell

everything you had... die on empty."

DIE ON EMPTY... That continues to be our mission, and when you get the honor to serve those who serve us and defend our freedom, there's no excuse not to lead and live fully.

Is Your Team Ready To Light Up The Planet In 2019?!?

If you are looking for that "spark" to fire up your business team and help them get maniacally focused on their 2019 personal and professional goals, as well as get a fast start on your company initiatives, I would love to help you and your organization. Please email me, and we can discuss how we can escalate your team's culture and performance for the new year. Simply send an email to me at jcogswell@enterpriseathlete.com.

(Jarod Cogswell is a veteran fitness professional, industry leader, keynote speaker, consultant and performance coach. As a business leader, he has successfully led his teams to produce annual revenues to well over 8-figures, \$1.5 million in personal training sales, mentored and coached hundreds of teammates and clients, including business entrepreneurs, executives and world-class companies such as Nike and more. Jarod is extremely passionate about developing leaders and creating inspiring business cultures. As the author of, "WORK like an Athlete," Jarod assists individuals and teams to discover their inner champion by providing "in the trenches" leadership training, motivational coaching, high energy workshops, team building, fitness and adventure retreats that maximize personal and professional performance. Lastly, Jarod is a mountain athlete and rescuer that has climbed and snowboarded some of North America's highest peaks, including Oregon's Mount Hood nearly 100 times; a Todd Durkin Mastermind Platinum Level Business Coach; IHRSA Management Institute Faculty Member and Alpha Warrior Pro Coach.)



Jarod Cogswell and Team

Your Task List for 2019

By: **Melissa Knowles**

As we find ourselves at the beginning of a new year, we find ourselves either in a state of premature nostalgia for 2018 (ruminating over our accomplishments and wins with the losses and missteps already diminished by the glow of the holiday lights) or stressing over the mounting To-Do List for 2019.

January is a wild time in this industry of ours! The resolutions are upon us, bringing with them their cash, and hopefully, yielding a nice bottom line to launch into a prosperous new year in business. Now, I don't want to add any more to your To-Do List or take away from the impending rush of your best sales month, but there are a few critical items that are must-dos for 2019. Let's take a look at what should be on your radar in the new year:

I-9 Form Perfection - We've touched on this a few times this year, but it bears repeating. Immigration and Customs Enforcement (ICE) warns that, going forward, the agency will increase Form I-9 audits, conduct more worksite raids and promote involvement in the government's voluntary compliance program (E-Verify). Under the current administration, audits are expected to go up 4,000%. It's also important to note that civil penalties associated with violations have increased. Current penalties are between \$224 and \$2,236 per violation (employee). Now, more than ever, it is vital that employers ensure that Form I-9s are being completed accurately and on time for each new employee. In some states, participation in E-Verify is required. Check with your state agency.

Minimum Wage Review - In 2019, 21

...Michael Gelfgot

continued from page 19

certain part of the process and rehearse it over and over again.

4. Practice makes it perfect. What would be more accurate to say is: **Perfect practice makes it perfect**, meaning that, when you are role-playing, have someone listen to what you are saying and make sure it makes sense. Having the sales process in print and video format would help this drastically.

Strategy #4 | Video Your Role-play - According to Tony Robbins, 93% of all communication is non-verbal. Most of us know that but don't capitalize on it during the sales process. Here is what I mean... During the qualifying part of the sales process, when we are talking about the goals, hopes and expectations

States are increasing their minimum wage. On top of the State changes, 23 cities and counties are mandating rates above the State minimums. Make sure you review your current workforce and adjust where needed. You may need to reconsider your compensation plans to account for accommodating this change. Some areas are seeing increases of more than \$2 per hour. For a small business with already razor-thin margins, this can have a significant impact.

Mandated State Paid Sick Leave Program - The count for states requiring employers to provide paid sick leave to their employees moves up to 11 in 2019. This is a trend that is here to stay, and it's expected that we'll see more states legislate similar laws in the coming years. Check your state laws and ensure you have a reliable leave management system in place.

The Member Review Is King - If you think we'll ever go back to a time when online reviews don't matter, think again. Member reviews influence more than 95% of online customers before they decide to buy. In the coming years, reviews will be the greatest influencer of any business, including the fitness industry. Consider the power your members hold behind their keyboards and establish policies as well as your focus on service accordingly.

Happy Employees Are Good For Business - Recruiting and maintaining good employees has always presented a unique challenge for our industry. With unemployment at historic lows, keeping employees engaged and happy is critical to retention. Consider what you offer your team beyond a steady paycheck. What's

our prospects have, the conversation should sound upbeat. It should be very positive. It should be exciting. When we are upbeat, positive and excited, we tend to smile, speak a bit faster, our posture is typically up and leaning forward and we tend to laugh more. When you record your sales presentation, the question to ask is, "Does the physiology and the tone of the salesperson's voice match what the salesperson is talking about?"

Strategy #5 | Video the Real Thing - The ultimate film to watch would be to record an actual setting. As we all know, you can practice all you want, but unless you go through the real thing, you will never know what it feels like. How well you practice the real thing will be very evident when you sit down with a real prospect.

Strategy #6 | Get a Sales Coach - If

your culture? How do you recognize top performers? Is your environment happy and uplifting? Employees come for money, but they stay because they like their team members, managers and where they work (and money).

Cybersecurity - As we've seen almost daily in the headlines, cyber attacks are on the rise. Make sure sensitive information is safe by limiting all storage and processing to trusted software platforms which are focused on privacy and protection. If you're already confident in your technology suppliers, ensure you're doing your part on PCI compliance. Never store sensitive information in paper format, and if you must use paper, ensure data isn't accessible by keeping it in a locked file cabinet or safe. Educate your staff about the importance of information handling as well. You'd be surprised how many times I've been in a club and seen passwords or credit card information on post-it notes!

More #MeToo - Employee awareness of and an unwillingness to accept harassment or discriminatory behaviors will continue to strengthen. With the number of states requiring sexual harassment training and instituting specific anti-harassment laws, it's imperative that your business has clear policies which promote a healthy and safe work environment for all. A costly sexual harassment lawsuit is filed almost daily somewhere in the U.S. Most of these lawsuits could have been avoided with proper groundwork on the front end, an impartial investigation and the ability to address any concerns once a complaint has been reported. So, should you find yourself on the receiving end of a claim, you need to ensure that it's handled promptly

possible, work with someone who has more experience than you do to help you tighten up your sales game. A coach would pay attention to:

1. Syntax of your sentences. For example, if you say, "Dog bit Jonny," vs. "Jonny bit the dog," you are using the same words, but the meaning is totally different if the order of the words is changed. Someone with a trained ear can listen to your sales pitch and help you refine it.

2. Knowing when to slow down and increase the speed of your speech as mentioned earlier can really change the mood of a sales setting. A sales coach can help by saying less but communicating so much more just by controlling the speed of the speech.

3. Working with someone who has more



Melissa Knowles

and professionally. You can't afford to get it wrong.

**Focus on What You Do Best,
Farm Out the Rest**

As a small business owner, it's likely you wear many hats. That's great; it got you where you are today. But, as you grow, there comes a point when that's no longer sustainable, particularly if there's significant work that needs to be done in an area that's outside your wheelhouse. GymHQ is here to help you tackle compliance issues, daily business tasks (bookkeeping, payroll), customer interactions and other vital business functions. Get out from behind the computer and back out on the fitness floor!

(Melissa Knowles is Vice President of Gym HQ, a Club Ready Company. Melissa can be reached at mknowles@gymhq.club.)

experience than you do will help you refine the analogies that you use and the stories that you tell. Most salespeople use lousy analogies and boring stories. We all know that, "facts tell while stories sell." A sales coach with more experience has wonderful stories that can provoke a certain emotion or communicate a certain message that might be the one thing you need to persuade an individual to take action.



Although there are many strategies one can use to improve his sales game, as Richard Branson would say, "Just start. You will learn so many lessons just by doing."

(Mike Gelfgot is a veteran owner/operator of Anytime Fitness Clubs, and he can be reached at mike.gelfgot@gmail.com.)

Age Discrimination in the Workplace

By: **Paul R. Bedard, Esquire**

Charges of age discrimination represent a significant portion of complaints filed alleging workplace discrimination. Age discrimination occurs when an employer treats an applicant or employee less favorably based upon the person's age.

According to AARP, the following statistics apply to workers between the ages of 45 and 74:

- 19% say they have been turned down for a job due to their age;
- 12% say they have missed out on a promotion due to their age;
- 72% of women say they believe age discrimination is present at work;
- 57% of men say they believe age discrimination is present at work.

The **Age Discrimination in Employment Act of 1967 (ADEA)** is a federal law that protects applicants and

employees 40 years of age and older from employment discrimination based on age. The ADEA applies to private employers with 20 or more employees, the federal government, state and local governments, employment agencies, and labor organizations.

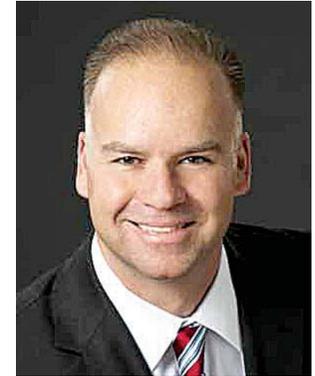
The ADEA prohibits age discrimination in any aspect of employment including hiring, firing, promotions, layoffs, training, benefits, job assignments and any other term or condition of employment. Retaliation is also prohibited by the ADEA, making it unlawful to retaliate against someone for filing an age discrimination charge, testifying or participating in any way in an investigation, proceeding or litigation under the ADEA.

The ADEA also protects employees from being subject to harassment based upon age. Although isolated comments or simple teasing may not give rise to a viable claim of harassment, harassing conduct becomes illegal when the frequency or severity of the conduct results in a hostile or offensive work environment or when the challenged

conduct adversely affects the victim's employment. The victim's supervisor, co-worker, clients, third-party contractors, and conceivably, anyone else with a presence within the victim's work environment can qualify as the harasser.

The ADEA does not make it illegal for an employer to inquire about an applicant's age or date of birth. However, absent a rare circumstance where age can be shown to be a bona fide occupational qualification, it is generally unlawful for an employer to include age preferences or limitations in job postings.

Although employees have clear federal protection against age discrimination under the ADEA, meeting the threshold of proof required to prevail with a federal claim of age discrimination can be challenging. In 2009, the Supreme Court weighed in regarding the burden of proof required to prove that age discrimination has occurred and held that a plaintiff bringing a claim under the ADEA must prove by a preponderance of the evidence that age was the "but-for" cause of the challenged adverse employment action. In other words,



Paul R. Bedard, Esquire

the employer does not need to show that it would have taken the employment action regardless of the employee's age, even when evidence exists suggesting that age was a motivating factor in the employment decision. Rather, the evidence must show age was the "reason" for the challenged (See **Paul R. Bedard, Esquire** Page 23)

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Mountainside Fitness Founder, Tom Hatten, Releases "Dream On" For Charity

Assistant Publisher's Note: Tom Hatten was kind enough to send me a copy of his new book, *Dream On*. I read it during the holidays, and I am very happy I did. The writing of Tom's life story is raw, real and passionate. From the highs to the lows, he leaves nothing out. Like any good movie, at times, you will be on the edge of your seat. I highly recommend this read, and it's for charity! Thank you for sharing this with all of us Tom, and best of luck in your next chapters!

PHOENIX, AZ - In 1991, Mountainside Fitness Owner, Tom Hatten, had just \$2,000 to his name and a dream to open his own gym. He was just 22-years-old and a student at Arizona State University at the time, but thanks to family and friends and a perseverance to succeed, Hatten would go on to owning and operating Arizona's biggest fitness empire.

Now, 30 years and 17 Mountainside Fitness locations later, Hatten reflects in his new memoir, "Dream On," about this remarkable journey and what it takes to build a business from the ground up. Hatten tells all, from the highs of starting his own business to the crashing lows including bankruptcy, jail time and a horrific personal tragedy.

"Dream On" is a true and a very raw look at what it takes, the sacrifices we make and also the poor decisions that can threaten to take it all away," said Hatten. "I didn't want to hold anything back when I wrote this book, so it's peppered with inspirational moments and humorous anecdotes, and really a no-holds-barred narrative of this rollercoaster ride to fulfill ones' dream."

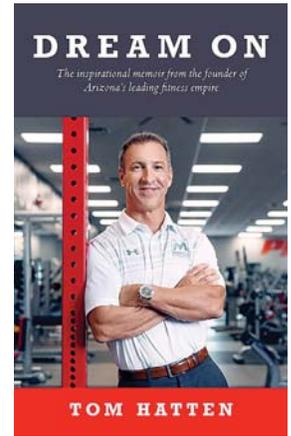
As the former Chairman for Make-A-Wish Arizona and a huge supporter of numerous

Valley nonprofits, Hatten says 100% of proceeds from the book sales will go to Make-A-Wish Arizona and the Muscular Dystrophy Association.

Hatten, who leaves no stone unturned in his fascinating, and at times, poignant memoir, says life experiences inspire the creative potential that lies hidden in all of us, motivating us to follow our own burning desires and to continue to "Dream On."

"My first gym was designed exactly like the dream, it was like 'cut and paste.' What would happen along the way, I could have never imagined, but with every turn and twist, I'd like to say it's made me and Mountainside what it is today," said Hatten.

"Dream On" is available in both digital and paperback. Purchase a copy on Amazon at bit.ly/DreamOn_THatten or on AmazonKindle at bit.ly/DreamOn_kindle;



...Paul R. Bedard, Esquire

continued from page 22

action of the employer and not simply "one of the reasons" for the employer's decision.

It is valuable for an employer to be able to objectively assess whether age discrimination is transpiring within the organization in order to address any such discrimination and to work towards avoiding it in the first place. Some of the signs of possible age discrimination in the workplace include the following:

- When an employer regularly harasses an employee about their age, such as jokes and name-calling, creating a hostile work environment.
- When an employer has a pattern of hiring only younger employees despite otherwise equal qualifications.
- When an older employee has a clean personnel file, and/or a history of strong reviews, yet is suddenly put on an employee improvement plan.
- When younger and otherwise equally or less qualified employees are being promoted before older employees.
- When layoffs occur that disproportionately or inexplicably impact older employees.
- When an older employee's job is "eliminated," but the older employee is replaced with a younger employee within the same work capacity albeit with a different title.
- When older employees are selectively isolated from meetings or left out of major decisions.
- When similar employee issues are addressed by the employer with more severe consequences for older employees versus younger employees.

To avoid the occurrence of age discrimination or any other form of discrimination within your workplace, undertake a thorough review of your employment practices to verify that discriminatory practices and conduct are not present. During this assessment:

- Review your recruitment and hiring practices.
- Analyze your performance evaluations, promotion policies, disciplinary guidelines and termination procedures.
- Review job postings and descriptions.
- Provide training on how to spot and avoid age discrimination while onboarding employees.
- Provide ongoing training throughout the employment relationship. Maintain records of this training. It will prove valuable should you be on the receiving end of a discrimination complaint.
- Formally detail your policies within your employee handbook and have all employees sign acknowledgments of these policies.
- Establish neutral and objective criteria for performance expectations.
- Foster a culture that encourages employees to treat one another with professionalism, respect and dignity regardless of age.

As with other meaningful corporate values, leadership must walk the walk and talk the talk here.

Although the ADEA does not apply to employers with less than 20 employees and does not offer any protection to those under the age of 40, varying state laws apply to employers with fewer employees, and some states have laws that protect people at any age from age discrimination, including young people from reverse age

discrimination. Therefore, any applicable laws in addition to federal law need to be evaluated against current policies and practices to ensure that illegal age discrimination is not present within the organization. This can be a complicated evaluation and best practices, therefore, dictate the proactive engagement of qualified legal counsel.

This article is not intended as legal advice. Please consider these comments as an educational guide when you consult your attorney for specific direction.

(Paul R. Bedard, Esquire has nearly twenty years of management, leadership and operations experience in the health and fitness industry. As a practicing

attorney, Paul's health and fitness industry experience provides him with a unique perspective when advising health clubs regarding employee training, handbooks, policies, contracts, disputes or premises liability claims. When not practicing law or spending quality time with his wife and daughters, Paul strives to be active in his local community and serves as the current Assistant Town Attorney for the Town of Southington, Connecticut. He has previously served on the Southington Zoning Board of Appeals and the Board of the Central Connecticut Regional Planning Agency. Paul is also a partner at Sheffy, Mazzaccaro, DePaolo & DeNigris, LLP, in Southington, Connecticut. Paul can be reached at pbedard@smddlaw.com or 860-620-9460, Ext. 109.)



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How to Improve Sales at Your Fitness Center

By: **Jim Thomas**

Owning a fitness center or gym can be a great investment and career choice as it can be very profitable in all economies. While a fitness center can be successful and profitable, it does count on sales and other efforts to drive enrollment and overall revenue. I continue to work with many gym owners that continually say, "I

thought it would be easier than this." When evaluating their business, it will many times come down to simply a failure to properly understand and implement sales and marketing strategies. When you are looking to improve your sales efforts at your gym, here are a few tips that can be followed that will provide an immediate return:

1. Regardless of circumstance, be sure

that everyone gets a presentation. So many gym owners work so hard and spend so much money to get someone to walk in the front door, and then, many prospects never get a presentation. Prospects will come in wanting to work out with a friend, they just want to take a class and they have ice cream melting in the car... you name it. If you can master this tip, it will have an immediate impact.

2. Treat everyone like a buyer. This is easy to say but very difficult for many people to follow. Don't prejudge your prospects. Treat them like they are there to buy, and you'll be amazed at the difference. Use this tip with everything: telephone inquiries, gym prospects, follow up, corporate accounts, marketing efforts, etc.

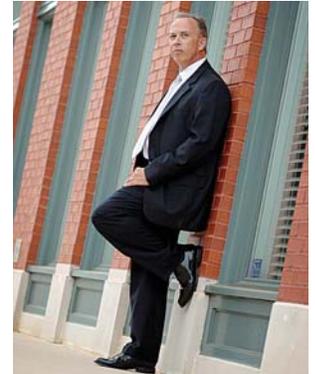
3. Sit down with every prospect. Many personal trainers will make this mistake, but I see it across the board. Solving problems for customers is what you want to do, and the customer does not know what the desired outcome is. Guide each through the process.

4. Use a pre-printed price sheet. Now, it's my suggestion that you decide on two programs you would like to sell, and that's what you show your prospect. You want to keep this simple for your prospect AND your salesperson. Don't show your customer a menu of options; you'll just create objections.

5. Be agreeable. This is another tip that will take some practice for many folks. I hear and see too many salespeople trying to sell from a standpoint of disagreement. Be agreeable. Being agreeable will draw people to you. Now, this doesn't mean we lay down or anything. "Mr. Customer, I understand, it seems like everything costs more these days. What do you say, can we get you started?"

6. Ask for the sale. Of course, this is the biggie. If you do nothing else, be sure you do this one. Of everything I teach, this is consistently the most difficult one for everyone, new and even experienced. It will take practice and regular training. The big mistake everyone seems to make when they are covering price is that, when the customers offers an "objection," we have a tendency to go back to selling, when in reality, we need to be asking for the sale.

7. Follow up. This is another one that offers a significant opportunity if it's done properly. I won't bore you with the statistics, but most leads don't get properly followed up on. Learn how to do this properly and you'll



Jim Thomas

always have a full pipeline. The key here is to nurture your prospects and members. In other words, work to help maintain interest and desire.



One of the big problems I continually see is how we choose to view membership and personal training sales. In the end, you're really not selling a membership or training. But, rather, you're solving problems for people and providing solutions. Your gym will need a process that allows you to do this, and you'll have to be sure to snag that first sale. Where do you find that first sale? Well, it's you. That's the first sale you'll need to make before to start talking to customers. **YOU must be sold.** Can you solve your customer's problem? Do you have the best gym to solve their problem? Is now the best time to solve their problem? It's easy to say, "Yes," on all of this. But, it will take work, regular training and accountability.

Now, go improve your sales!

(An Outsourced CEO, Jim Thomas is the Founder and President of Fitness Management USA Inc., a management consulting, turnaround and brokerage firm specializing in the gym and sports industry. With more than 25 years of experience owning, operating and managing clubs of all sizes, Thomas lectures and delivers seminars, webinars and workshops across the globe on the practical skills required to successfully to overcome obscurity, improve sales, build teamwork and market fitness programs and products. In addition, his company will buy gym equipment from gyms liquidating or closing. Visit his websites at www.fmconsulting.net or www.jimthomasondemand.com)

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The Pricing Game

Part II - Determining What to Charge and How to Deliver It

By: **Stephen Tharrett & Mark Williamson**

"Perhaps the reason price is all your customers care about is because you haven't given them anything else to care about."

-Seth Godin

Introduction

The pricing game involves more than just the price you set; it also involves the way in which consumers acquire the offering at the price you've established. We refer to this as the delivery model. Think about the automobile industry. It has evolved from a direct purchase to short-term financing to long-term financing (6 years) to leasing model. This shift has resulted in consumers perceiving the price of a car, not to mention the value of a car, differently.

In the video game industry, price delivery models have also changed. It began with a single transactional game purchase. If you liked the game and wanted to continue the experience of that game, you had to purchase the newest version. Then, digital arrived and subscription models came along which allowed gamers to pay monthly to stream a game. If they wanted to add to their game, they would purchase additional content.

Finally, free-to-play or Freemium arrived, and gamers didn't have to pay for the basic game... Instead, they got it for free and could make in-game purchases to enrich their experience. All of these changes resulted in an entirely new consumer perspective on the price of a game and its accompanying value.

In **Part I** of this article series focused on pricing, we provided some historical perspectives on the industry's approach to pricing, along with an in-depth discussion of pricing itself. In **Part II**, we will focus primarily on industry delivery models or how our industry presents its prices and value to the marketplace. Furthermore, we will take a look at what the future may bring in respect to price delivery models.

Present Price Delivery Models

Historically speaking, the health and fitness industry is entering a new era of price delivery (packaging its product) to generate the highest level of appeal and purchase intent from consumers. Initially, the industry followed a subscription model or membership model where people could access an offering by subscribing to access for a given period of time; for example, a month, a year or even two years. Operators

believed that, unless you made customers commit to a subscription (e.g., membership) for a set fee, the product would not generate sufficient usage to create a predictable level of revenue generation.

In the 1970s, with the advent of racquet sports, the health and fitness industry went to an a la carte or "pay as you play" model to generate revenue. Operators felt customers would be more likely to take advantage of the industry's offerings if they were not tied to a membership, and instead, could select what they wanted and pay for it then. Only a decade after introducing the "pay as you play" model and realizing it did not provide a predictable or consistent stream of revenues, the industry went back to a subscription model. This shift in packaging was driven by two considerations:

- First, operators desired a more predictable and reliable revenue stream, something a subscription or membership model allowed.

- Second was the introduction of electronic funds transfer (EFT). EFT enabled operators to directly access client accounts (e.g., checking or credit card) on a monthly basis to obtain the revenues stated in the membership contract, eliminating the problem of having a large accounts receivable.

Toward the end of the 20th century, the industry expanded on the subscription model, incorporating elements of the "pay-as-you-play" or metered services model (e.g., additional services revenue, ancillary revenue programs), an integrated model. In essence, the industry was leveraging the benefits of the subscription model with the personalized approach of the "pay-as-you-play" model.

Starting around 2010, some operators, especially studios, went back to a modified "pay as you play" or metered services model. This new version of "pay-as-you-play" appealed to a passionate, sometimes fanatical group of customers, or as N. Robert Hammer noted in his quote from **Part I**, people are now seeking ways to pay that align with their preferences. In the



Stephen Tharrett



Mark Williamson

health and fitness industry, this movement is being influenced by Millennials and Generation Z, the same two generations who have changed the purchase paradigm for other experiences.

Today, club and studio operators have the luxury of being able to choose the packaging approach that will generate the highest level of appeal among its targeted audience while also providing the greatest potential to generate revenue and value.

Subscription Model

A subscription model is built on the premise that, by having a consumer contract to a specified period of time and offering unlimited access during that period, it creates greater value for the consumer and more predictable cash flow for the business. The subscription model is also predicated on the consumer not showing up. What follows are descriptions of the various subscription models being offered in today's marketplace:

Traditional Subscription or Membership Delivery Model - The subscription/membership delivery model remains the fitness industry's most popular approach for pricing access to facilities.

The benefits of the membership model include:

- For the client, it provides access to the offerings of a club or studio for one fixed price (e.g., weekly dues, bi-monthly dues, monthly dues, annual payment). Clients feel a degree of security with this model knowing they will not have to dip into their wallet every time they want to participate.

- For the client, signing a contract forces them to make a greater commitment to leverage their investment. If they don't use it, they lose it. As a result, the client is more likely to engage in the activities offered by the studio.

- For the operator, it provides a consistent and predictable stream of revenue by lessening the operator's reliance on potential inconsistent usage patterns of clients, which can often lead to widely fluctuating levels of revenue.

The primary risks or downside of the subscription/membership model include:

- Clients often feel "trapped" or "chained" to the facility. Clients frequently feel they are paying for something they don't use, and if they use it infrequently, the perceived cost of their investment rises and the value declines.

- Clients often believe they don't have options, having to use whatever the membership offers without having the ability to pick and choose.

- For operators, the membership model brings with it the constant pressure to sell memberships and the equally daunting challenge of trying to keep clients involved when they don't visit the studio.

The traditional subscription/membership model involves establishing a
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set fee that provides clients with certain privileges for a specified period of time. The period of access, as well as the membership privileges, is established by the fitness operator. The period of access typically ranges from one month to one year, while the privileges depend on the specific offerings of the club or studio.

Prescribed Visit or Prescribed Time Subscription Model - A recent trend in the subscription model that has caught fire with fitness studios, and now clubs, is what we define as a *prescribed visit subscription model*. This model establishes a preset number of times a member or client can use the club or studio during any given one-month period. This approach has some similarities to car leases where there is a limit to the mileage allowed in a given month.

Orangetheory, a franchise of over 1,000 HIIT studios is a major proponent of this approach. Orangetheory offers three types of prescribed visit memberships (a basic month-to-month with no contract and limit of four sessions a month for an average nationally of \$59 a month; an Orange Elite month-to-month with no contract and 8 sessions per month for \$99; and finally, an Orange Premier month-to-month with no contract and unlimited access for \$159).

In the U.K., 1Rebel, which operates three multi-disciplined fitness studios, offers a similar type of prescribed visit subscription with monthly plans for 4, 8, 12 and unlimited sessions a month. These prices, as you might imagine, are considerably higher in cities such as Los Angeles and New York City, where unlimited access can be more than \$500 a month.

An older version of this prescribed visit subscription approach is off-peak memberships, often called non-prime time memberships that only allow access during certain hours of the day. In Europe, SATS, based in Sweden and part of Health & Fitness Nordic, offers an off-peak membership good Monday through Friday before 3PM that is 50 Kroner less than a full access membership. Another European company that offers limited hour access memberships (9AM to 3PM) is Fitness DK based in Denmark.

Some advice when it comes to creating subscription models with usage and/or time limitations:

- Try to avoid off-peak or non-prime time memberships that, rather than limit usage levels, only limit hours. Restricting hours won't always limit usage, and therefore, can dilute the actual value of your club or studio.

- Base prescribed usage memberships around traditional usage levels in the industry, such as four or fewer times a month, five to eight times a month and nine

times or more a month. In addition, make sure that the pricing for these categories reflects the real value of your offering and try to avoid providing large discounts on a per visit basis for those models offering more visit opportunities.

The Monetization Up-Sell Subscription Model - Another recent subscription model is what might be defined as a "Monetization Up-Sell" where you attract consumers with a base membership offering and then offer them upgraded versions of that membership at a higher price point. This practice is rather common among budget club operators where it benefits them to get prospects to pay more than the base membership, not unlike the monetization model used in freemium video games. Budget operators such as Blink Fitness and Planet Fitness in the U.S. and Basic Fit and the Gym Group in the U.K. provide upgraded memberships that include additional amenities and offerings that consumers perceive hold great value when evaluated against the minimal change in pricing. The most oft used amenities and benefits to create this illusion of added value at little extra cost include offering access to a chains entire network of clubs (e.g., Blink, Crunch, Planet Fitness, Basic Fit and The Gym Group). There are reports that nearly 60% of Planet Fitness's new members opt in for their upgraded membership called the Black Card.

Budget operators aren't the only ones who see the potential to monetize membership by offering value-added amenities. Upscale operator Equinox offers as many as three tiers of membership, each of which provides access to a greater number of its clubs, along with other benefits. European operators Fitness First in Germany and Virgin Active in the U.K. offer membership options that offer additional amenities and benefits for an additional monthly amount. The Bay Club Company in California and ClubCorp, based in Dallas also offer these monetization up-sell opportunities by extending members the opportunity to acquire access to different clubs and related properties for an additional amount. During our tenure at ClubCorp, the sale of our regional and international access programs generated significant revenue with large margins; the quintessential result of a well-designed and delivered monetization up-sell platform.

Pay-As-You-Play Model

The "pay-as-you-play" or metered service model has become extremely popular in fitness studios, less so in traditional fitness clubs (The Gym Group, a budget operator in the U.K. offers a pay-as-you-play offering). This delivery model allows clients or consumers to pay only when they use the facility. These "pay-as-you-play" models range from paying for a single visit to purchasing bundles of classes (e.g., three, five, 10, 20, 30 or even 50)

depending upon the consumers' desired needs. Millennials and Generation Z have played a significant role in the popularity of this price delivery model.

The primary benefits of the "pay-as-you-play" model include:

- For the client, it allows them to pay only for what they use, not what they don't use. No illusions about paying for times when they are not using the facility.

- For the client, especially the connoisseur, the "pay-as-you-play" model allows them to select what appeals to them. Furthermore, the "pay-as-you-play" model overcomes the oft expressed feeling that they are chained to something they might not leverage.

- For operators the "pay-as-you-play" model allows them to charge a premium for the experience knowing that they are appealing to a niche audience (e.g., connoisseurs).

The primary risks of the "pay-as-you-play" models include:

- For clients, there is the risk the club/studio will close its doors suddenly because it does not have a large enough or regular enough client base to support the ongoing expenses of the business.

- For the operator, this model provides no predictable stream of revenue. Revenues can ebb and flow just like the ocean depending on the seasons and the whims of the target audience. Furthermore, this model can lead to customer confusion if too many options are provided. Lastly, failing to place an expiration date on the period in which a bundled "pay-as-you-play" package can be used can be a problem.

Some examples of successful studios that leverage the pay-as-you-play delivery model include:

- At Exhale Spa, they offer Barre classes, yoga classes and cardio classes. In Dallas, purchasing a single class costs \$25; a 5-class pack for \$120; a 10-class pack for \$230; and a 20-class pack for \$430.

- At Ridehouse, a local cycling studio in Dallas, they offer a single class for \$25; a package of 10 classes for \$220; a package of 20 classes for \$400; or even a package of 40 classes for \$720.

- At the Dallas Soul Cycle, which competes with Ridehouse, they offer a single class for \$30; three classes for \$60; 10 classes for \$280, and 30 classes for \$780. Each of their packages has an expiration date that requires clients to use the packages within a given timeframe.

Integrated Delivery Model: Subscription Plus Pay-as-you-Play

The integrated model for delivery

of your offering leverages aspects of the subscription/membership model, allowing for a regularly recurring stream of predictable revenues, with the added flexibility of the "pay-as-you-play" model, which allows individuals to personalize their experience by paying only for how and when they intend to use the facility. Operators who use this approach allow prospects the ability to select from either a variety of "pay-as-you-play" packages (e.g., single, five, ten or twenty) or acquire a subscription membership with either unlimited access or prescribed usage limits. At the moment, fitness studios and digital middleman platforms (e.g., ClassPass and Fit Reserve) are significantly more likely to offer these integrated packages, though U.K. budget operator, the Gym Group, leverages an integrated approach. These integrated delivery models have become popular among Millennials and Generation Z. The benefits of the integrated model include:

- For clients who choose to purchase a membership, it gives them predictable access to the core privileges they want, a sort of security blanket. For clients who prefer not to be chained to a membership, it allows them the flexibility to tailor their experience to suit their interests and objectives.

- For the operator, it can provide a consistent and predictable stream of revenues from subscriptions while also providing them with the ability to offer customer-centric packages that can often bring in large incremental amounts of revenue.

The risks of this model are minimal unless consumers decide to avoid the subscription opportunities and create a situation where the recurring revenue stream is unpredictable.

With the integrated model, the operator has to establish pricing for membership, as well as for the "pay-as-you-play" sessions and packages. The Ridehouse, an independent cycling studio in Dallas; Exhale, a national chain of Barre and yoga studios; and Barry's Bootcamp, a HIIT franchise, use an integrated delivery model for their offerings involving single session rates, bundled packages and prescribed and unlimited monthly access subscriptions. If you are a frequent user and don't travel, then purchasing a subscription membership is the way to go. But, if you are an infrequent class participant, or are a frequent traveler, then you can select the "pay-as-you-play" option. The integrated delivery model has yet to catch on with traditional clubs, but just like the newer "pay as you play" delivery models, it will only be a matter of time.

Price Delivery Models of the Future

Change is inevitable. When it
(See *ClubIntel* Page 28)



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comes to the approach used for pricing our industry's offering and then delivering that price to consumers, our industry is only now experiencing what could be a tsunami of change. Until now, the primary agent of change in how we priced and delivered that price to the market has been driven almost entirely by industry insiders. Going forward, how we price our offering, how consumers perceive our price/value equation and how we deliver that pricing will be guided by industry outsiders. Two delivery models destined to change our industry's approach over the next few years are digital delivery and freemium.

Digital Delivery Platforms - Over the past decade, digital delivery platforms or middlemen such as ClassPass, FitReserve, Dibs, Zeamo, GymPass, PaysUgym, Move GB and Urban Sports Cub have entered our world. These digital middlemen are introducing fitness consumers to the same opportunities that Airbnb, Amazon and Uber offered in their domains, while bringing forward the same industry changing headaches to the fitness industry as the previously mentioned middlemen did to the retail, lodging and transportation industries.

In 2018, according to ClubIntel's *International Fitness Industry Trend Report - What's All the Rage*, 20% of boutique fitness studios were partnered with a digital delivery platform. Globally, this same study showed that 32% of operators in Latin America, 16% in Europe and 10%

in the U.S. were in arrangements with digital middlemen. ClassPass claims to have over 10,000 studios and clubs in its global network; Fit Reserve has over 500 studios just in the Boston, Washington D.C. and New York Metro markets; Move GB has over 6,000 venues (profit and non-profit) in its U.K. network; PayasUgym has approximately 2,700 clubs, recreation centers and studios in its U.K. network; and Gympass claims to have over 40,000 facilities in its global network. When you see these types of numbers, you realize that a considerable number of health and fitness operators are leveraging these digital platforms in some manner to deliver their offering or price/value proposition.

Why do these digital platforms represent such a disruptive business model for how the industry prices and delivers those prices to the marketplace?

■ They are delivering a value proposition to the consumer without our direct engagement. Consumers don't have to visit the club, studio or recreation center to obtain access. They don't even have to visit the website to find out the price, and if they did visit the website, that alone might deter them from engaging on a purchase. Just ask hotels how they feel about Airbnb or cab drivers feel about Uber. These digital platforms can deliver an offering, at least on a defined usage level, at a lower price point than others can. By doing this, they change the perceived value of the offering and place downward pricing pressure on the businesses no matter the value proposition or how different others are. One example

of this dynamic is ClassPass. In New York, ClassPass offers consumers access to 2 to 3 classes for \$45 (\$15 to \$22.50 per class) a month; 4 to 6 classes at \$75 (\$12.50 to \$19 a class) a month, and 9 to 13 classes for \$160 (\$12 to \$18 per class) a month. In the same market, if you were to purchase a 5-session package directly from Tonehouse, a cutting edge HIIT and training studio in New York (they are part of the ClassPass network), it would run you \$185, and if you purchased a single session, it would run you \$40. Compare this to what you would pay for a session for Tonehouse if you went through ClassPass (\$15 to \$22.50 per session on a 3-class pass). What this shows is that via ClassPass, a consumer could save as much as \$20 for a session at Tonehouse compared to if they purchased directly from the studio.

■ They offer consumers flexibility. While the major players have now gone to auto-renewal subscription models, in addition to their pay-as-you-play bundles, not unlike some traditional subscription models, they allow the purchaser to use multiple facilities. With industry trends pointing to consumers now preferring to use more than one facility to pursue their fitness goals, this flexibility dynamic brings even greater value to the consumer.

Going forward, as digital middlemen continue to refine their offering, and as more operators join their ranks, the impact these platforms will have on how consumers perceive the price and value of our offerings will evolve and not necessarily in a way that benefits operators.

Freemium Delivery Model - Freemium is a pricing strategy that has emerged as extremely effective in the video gaming industry. Under the Freemium model, the base product is free, but consumers then pay for premium features, functionality and virtual goods. Under the Freemium model, a consumer can pay to gain a competitive advantage (i.e. win), to personalize the experience or to have a more engaging and entertaining experience. The Freemium model is highly dependent upon on the number of daily users (DAU) and conversion rates (percentage of daily users who make a purchase). Evidence of how powerful this pricing model is (remember Warren Buffet's comment about pricing power) can be seen in the game, Fortnite Battle Royale, that in May of 2018 generated \$318 million, and in less than a year, generated \$1.2 billion using the Freemium model.

So why consider Freemium as a potential pricing model for the fitness industry?

■ Clubs and studios are now introducing mobile applications that offer consumers and members' new ways to engage with their brick and mortar businesses. What if, in the future, the app becomes the product and the brick and mortar one of the features? A potential forebearer of this

approach is Peloton, which has opened up New York studios and will allow Peloton subscribers to take classes at the studio.

■ Virtual fitness, especially apps like FitCloud Connect and FORTE, are allowing clubs and studios to stream their classes and activities to the cloud where they can be watched live or downloaded later. Traditional operators such as Crunch, Core Power Yoga and Gold's now offer their own virtual content, attempting to create a true 24/7 experience for their members and clients. What if clubs and studios started selling virtual memberships first and made the brick and mortar experience a premium feature? Studios and clubs using FitCloud Connect and Forte are already using these streaming offerings as premium features to their brick and mortar, so who says it can't be turned the other way around.

■ What if an operator with a lot of sites (e.g., Anytime Fitness, Snap Fitness and Orangetheory) were to create a Freemium model where members got a free virtual membership and paid a premium for each visit to a brick and mortar setting? What if they went one step further, and like Fortnite, allowed players to earn virtual dollars that would decrease the cost of purchasing a brick and mortar visit?

Freemium may be way off or maybe not. None the less, it is important to consider now what such a delivery model might look like and how it might impact our industry. After all, if budget gyms placed downward pressure on pricing in our industry, and digital middlemen are also exerting some downward pressure, not to mention changing the delivery approach, what would be the implications presented by a Freemium model?

Final Thoughts

It isn't just how you price your offering that matters when it comes to how consumers perceive your price and value; it is also how you deliver that pricing offer. Currently, our industry offers more delivery models than ever before, giving consumers more options on how they acquire and gain access to a club or studio. The advent of "pay-as-you-play" models with bundling and usage-defined subscriptions are altering the way consumers use facilities but also redefining the perceptions consumers have around price and value. In the future, digital middlemen, and potentially, a Freemium player will offer even greater disruption to our traditional way of pricing and the delivery of that pricing than the models of today. It's not time to get complacent; that is for sure.

(Steve Tharrett and Mark Williamson are the Principals of ClubIntel and can be reached at stevet@club-intel.com and markw@club-intel.com.)

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End of 2018 Update From ALS TDI

CAMBRIDGE, MA - As our team works through the last hours of 2018, we wanted to take the time to reflect on some of the ALS Therapy Development Institute's notable accomplishments from the year.

We advanced AT-1501 from the research lab and into clinical trials, an unprecedented achievement.

We now have over 500 people living with ALS enrolled in our Precision Medicine Program, an initiative that, among other things, may speed up and decrease the cost of all ALS clinical trials.

We made strides toward developing and validating more models of ALS in which to test treatments, including C9orf72 repeat expansion mutations.

We screened more potential

treatments in our labs than anywhere else in the world.

Despite all the progress made throughout the year, we know that 2018 also brought incredible loss to families and people battling this disease. Loss of independence, loss of abilities and the devastating loss of loved ones. Not a day goes by at ALS TDI that we don't mourn someone who has passed and talk to others who are currently fighting. These conversations motivate us to keep up the momentum of 2018 and try to do even more in 2019.

Recently, you may have read an email from Andrea Peet who stressed that, while we are more hopeful than ever, the job is not done yet. Heading into 2019,

ALS THERAPY DEVELOPMENT INSTITUTE

we are laser focused on building on all the work we have done so far, discovering and developing more treatments, enrolling more participants in the PMP and validating more models of the disease. We truly can't do any of this without your help.

Your 100% tax-deductible donation will help to get more potential treatments, like AT-1501, to people who desperately

need them.

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Thank you and Happy New Year!

Dr. Steve Perrin
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Thanks and Appreciation

At **Club Insider**, we are excited to be in our **26th Year** of this home-based health and fitness club trade publication! The thought that this publication was *founded to serve an industry I truly love*, and so that *I could become a Mister Mom for my son, Justin*, is still *intriguing and amazing* to us. I wish to extend our most sincere **Thanks and Appreciation** to everyone that's made this amazing 26-year run possible.

A very sincere **Thanks and Appreciation** go to **Rick Caro, Dr. Gerry Faust** and the **Faust Executive Roundtable #1** for helping me decide in 1993 what my home-based business would be. **Thanks and Appreciation** to my long-time friends, **Ron Hudspeth** and **Cathy Miller** of **Atlanta's Hudspeth Report** for the tremendous assistance they provided us during *our first eight years of publication*. **Thanks and Appreciation** to all of the folks at **Walton Press** in Monroe, Georgia. They've done an absolutely excellent job for us all these years and have printed every one of our **301** monthly editions! **Thanks and Appreciation** to all of our **READERS**. Sincere **Thanks and Appreciation** to our **Club Insider Advertisers**, past and present, for their kind and dedicated support of this publication. It's amazing to know that we have several advertisers with over a decade of continuous advertising with us. We also want to say sincere **Thanks and Appreciation** to all of our **Club Insider Contributing Authors**, past and present, who've contributed *thousands* of excellent articles to help our readers with their Best Business Practices. **Thanks and Appreciation** to **IHRSA** for all it does.

Sincere **Thanks and Appreciation** to my son, Justin, who started working part-time for **Club Insider** when he was just 8 years old (helping with mailings). This young man, pretty much behind the scenes for 26 years now, has truly been a fantastic partner for his Dad in **Club Insider**. Justin does our editing, publication layouts, all of our website design and maintenance, all of our bookkeeping and subscription processing work, as well as archive management and anything else that needs doing, including writing a majority of our cover stories each year.

Last, but surely not least, this writer who refused to fear failure when many told him he didn't have a chance of surviving the publishing business for even a year did survive. And, he would like to give sincere **Thanks and Appreciation** to the power that made that survival happen: **God**.

Very sincerely, with love in my heart for you all,

Norm Cates, Jr.

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