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The Pulse of the Health and Fitness Club Industry



Wade Williams, General Manager of HealthQuest, and Jack Cust, Owner of HealthQuest

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FEBRUARY 2016

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Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry

HealthQuest

Reinvesting in the Future of Fitness

By: Justin Cates

This month, we are very excited to feature **HealthQuest** of *Hunterdon, New Jersey*. The story of HealthQuest we will be presenting is one of reinvention and reinvigoration, culminating in an incredible renewed 105,000 square-foot facility on 38 acres that is among the best of the best. Led by *General Manager, Wade Williams*, and supported greatly by *Owner, Jack Cust*, HealthQuest's list of offerings is incredible. But, this story, like any club's, is more than just a list of offerings.

When embarking on a renovation the size of HealthQuest's, the logistical challenges were numerous. With thorough planning, employee buy-in and proper communication and support for the members who were living through it with them, things ran smoothly for HealthQuest. Now, the benefits of it are being experienced, but with it, come challenges

as well. If you are approaching a time of renovation for your facility, we hope you can learn some lessons from this story.

Of course, a great club is more than its physical plant. Its team members are the true key asset and its members the reason for existence. The constant alignment of these two stakeholders over time is a balancing act, but with love and respect for both groups, as well as the selfless goal to do right by both, a club will flourish because of an organic feeling of wanting to be there. This leads to results, because then, coming to the club is not a chore; a job doesn't feel like a job, and a workout doesn't feel like a workout.

Finally, there is community. In this case, this reference is not to a 'community within a community' at a club, but instead, the community as a whole. A community, for its own reasons, allows a club (and a business in general) to exist, so it's only right for the club to do well for its community in the ways that it can. The

ways this manifests itself depends on the club and the community, but the idea and striving for it is what is important.

With these dynamics, you have the ingredients to create greatness, and at HealthQuest, under the leadership of Wade Williams and Jack Cust, they are doing just that. I welcome you to read on...

An Interview With Wade Williams, General Manager of HealthQuest

CLUB INSIDER (C.I.) - Please tell us about yourself. Where did you grow up? Where did you attend school and what did you study?

Wade Williams (WW) - I grew up in Hackettstown, New Jersey, a small town in Northwest New Jersey. I attended Hackettstown High School and played baseball. My passion for fitness began at a young age, spending hours and hours in the weight room, both in my parents' home and at the high school. My goal was always to



Wade Williams, HealthQuest GM

'out bench' my Dad, a feat that I achieved during my high school years! During my baseball years in High School, I was fortunate to have the opportunity to compete at the Jack Cust (Owner of HealthQuest) (See *HealthQuest* Page 10)

IHRSA Announces 2016 Industry Award Recipients

BOSTON, MA - IHRSA, The International Health, Racquet & Sportsclub Association, announced that three award recipients will be honored during IHRSA 2016, the Association's 35th Annual International Convention & Trade Show in Orlando, Florida, March 21-24, 2016.

•**The Woman Leader Award in honor of Julie Main** will be presented on Monday, March 21st to **Maureen (Mo) Hagan**.

•**The Associate Member of the Year** will be presented on Tuesday, March 22nd to **Visual Fitness Planner**.

•**The Outstanding Community Service Award** will be presented on Wednesday, March 23rd to **The Claremont Club of Claremont, CA**.

Julie Main Scholarship

IHRSA celebrates the legacy of Julie Main by presenting a Scholarship Award to a woman who exemplifies what Julie stood for: courage, perseverance, excellence and professionalism. Maureen (Mo) Hagan, Vice President of Program Innovation for GoodLife Fitness and canfitpro, is the winner of the 2016 Woman

Leader Award in honor of Julie Main.

"I am moved to win an award named after one of the most inspirational female leaders our industry has ever seen. This is a key milestone for me in my life, one that I will always cherish." said Mo Hagan.

Outstanding Community Service

The Outstanding Community Service Award is presented to an IHRSA member that has made a longstanding commitment to making a difference in, and beyond, their community. The



Claremont Club of Claremont, California is the recipient of this year's Outstanding Community Service Award.

The impact of The Claremont Club's community outreach is felt far and (See *IHRSA Awards* Page 6)

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- Internet Middlemen and the Fitness Industry - **Part II** - **By:** Stephen Tharrett and Mark Williamson
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- Is Your Independent Contractor Truly Independent? - **By:** Melissa Knowles
- 'Perception is Value' or 'Enough is Enough' - **By:** Angie Pattengale
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- Rick Caro's 20th Annual Financial Panel Set for IHRSA 2016 in Orlando
- And, of Course, *Norm's Notes*

Norm's Notes

•**Hello Everybody!** This is your **CLUB INSIDER Publisher and Tribal Leader Since 1993 checking in! Yahoo!** It's just great being a **GEEZER!** Haha! Seriously though... **WOW, what a great feeling it is having hit the BIG 70!** BUT... *I feel like I'm 50!* I just finished walking 3.2 miles, bringing my total miles walked since November 26, 2,000 up to around 15,500 miles! AND, all of my body parts are functioning perfectly as far as I can tell! Now... **that's the ticket!** Check out the **Norm's Note** at the end of these Notes, and you'll see my sincere **Thanks and Appreciation** writing to all of you who attended my **70th Birthday Party, a/ka/ our Trio Party** and/or mailed in contributions to **Augie's Quest in honor of our Birthdays or both** (Just in case you didn't know, on January 16th we threw what we called a **Trio Birthday Party**, and that evening, we celebrated my son, **JUSTIN'S 31st** and our good buddy **JACKIE KINLAW'S 62nd** birthdays with about **200 of our friends**). Check out **Page #8**.

•**Is AMERICA a great country or what!?**

•**Speaking of birthdays...** Happy 88th Birthday to **MR. RAY WILSON** who will celebrate his birthday on February 19th! Mr. Wilson, I hope you have a really healthy, terrific and **Happy Birthday** and many more!

•**JOE CIRULLI's Gainesville Health**

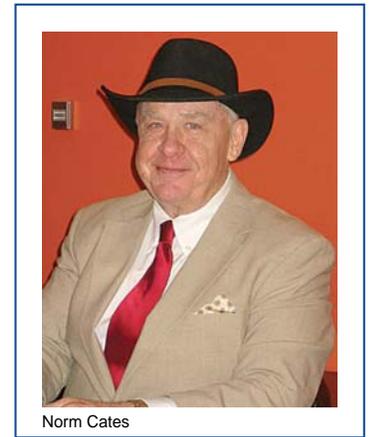
and **Fitness Club in Gainesville, Florida** was honored on the first-ever **Best Small Companies In America, 2016** list by **Forbes Magazine**. Joe has been an industry leader for a long, long time. He's also served our industry really well as a **member of the IHRSA Board of Directors** and as **President of IHRSA**. He is a great teacher and sharer of his vast industry experience and expertise. Knowing Joe Cirulli has been a real pleasure for me, personally, as I've visited his mega-club in Gainesville several times, and we featured Joe as our **CLUB INSIDER Cover Story Subject twice**, in **March 1996**, and with **GEOFF DYER**, in **April, 2001**. **Congratulations Joe** on another of your many honors that you may now add to your already vast lineup of acknowledgments of your excellence in our wonderful industry! **Way to go, Joe!** Last, let me add this little tid-bit... just like my **Brother, "GATOR DAVE" CATES**, Joe is a *very avid Florida Gator Supporter and Fan!*

•**Speaking of honors**, it's my great pleasure to mention that our **12-year advertiser, Visual Fitness Planner**, is going to be honored with **IHRSA's Associate Member of the Year Award** at the **35th IHRSA Convention in Orlando** on **Wednesday, March 23rd**. **Congratulations to VFP Founder, MARIO BRAVOMALO, and to VFP CEO, the one and only, DARON "ROCKETMAN" ALLEN** on this upcoming honor!

Also, it's a *real thrill* for me to announce that **The Claremont Club in Claremont, California** will be honored with **IHRSA's Community Service Award!** **MIKE ALPERT** has done a truly amazing job as the GM at the Claremont Club where he's assembled an amazing team of professionals who've taken their offerings to far, far more than just a health club. And, our friend, **AUGIE NIETO**, has experienced some amazing results from the therapy he's received at Claremont. **If you didn't read our 2-part Cover Story on Mike Alpert and his Claremont Club Team published in our March and April, 2015 Editions, I would urge you to do so!**

Also to be honored at **IHRSA Orlando** with the **2016 Woman Leader Award Scholarship** is **MAUREEN (MO) HAGAN**, who is **Vice President of Program Innovation** for **DAVID PATCHEL EVANS' GoodLife Fitness Centers and canfitpro**. **IHRSA** celebrates the legacy of our friend, the one and only **JULIE MAIN (may Julie Rest In Peace)** by presenting a **Scholarship Award** to a woman who exemplifies what Julie stood for which was: **courage, perseverance, excellence and professionalism**.

•**Folks**, be sure to check out **RICK CARO's 20th Annual IHRSA Financial Panel** announcement on **Page #6**. For 20 years now, *the one and only, Rick Caro*, has assembled a panel of financial experts, all of whom have had significant club transactions in the past year. While



Norm Cates

producing and celebrating **20 years of Financial Panels** at **IHRSA 2016 in Orlando**, Rick should get a whole lot of **PATS on the BACK** from all of us for his hard and dedicated work on, not just his Financial Panel, but all the many things Rick has done for the **Association first called IRSA and now called IHRSA since we cranked it up 35 years ago**. **Thanks RICK!** Please accept this as your first **PAT on the BACK** until I see you in Orlando!

•**World Gym International, Inc.**, owned and operated by the **JOYCE J. CAMMILLERI Family**, will celebrate its **40th Anniversary** at **IHRSA Orlando**, and I want to be one of the first to say **CONGRATULATIONS to JOYCE** (See *Norm's Notes Page 7*)

About Club Insider

Established in 1993

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CLUB INSIDER is published by Cates Media, LLC. in Marietta, Georgia. Those wishing to reproduce any portion of this publication may do so, provided it is not for resale in other publications. Reprints for commercial use are available for a fee by request.

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PRINTING and MAILING SERVICES - Walton Press

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Edition #266

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Rick Caro's 20th Annual Financial Panel Set for IHRSA 2016 in Orlando

BOSTON, MA - The 20th Annual IHRSA Financial Panel, taking place during *IHRSA 2016*, features four highly-regarded financial experts with relevant industry experience.

Rick Caro, President of Management Vision and Financial Panel moderator, says, "The intent of the panel is to have diversification and build off people's expertise on the industry. These are people who really have studied it, and in each case, they put their money where their mouth is."

Each of the following panelists has been involved in a major club transaction within the past year.

•**Jill Woodworth**, *Managing Director*, JP Morgan;

•**Brian Smith**, *Managing Director*, Piper Jaffray;

•**Aarti Kapoor**, *Head of Health & Wellness*, Moelis and Company;

•**Andrew Zarnett**, *Managing Director*, Deutsche Bank Securities.

Each panelist will discuss major club transactions across a variety of club segments, and there will be a Q&A session.

This 20th Annual IHRSA Financial Panel is a must-attend session for CEOs, CFOs, club owners, GMs, investors, suppliers, press and all who are interested in the current economic conditions affecting the health club market. Attendees of this session will learn how these financial executives see the industry's strengths and

weaknesses, how they see future trends, how different segments within the industry are faring and how the current debt and equity markets are behaving relative to our industry.

The 20th Annual IHRSA Financial Panel will take place on **Wednesday, March 23, 10:15AM - 11:30AM** during IHRSA 2016, IHRSA's 35th Annual International Convention & Trade Show in Orlando, Florida. All registered IHRSA 2016 Convention attendees are invited to attend. For more information, and to register for the Convention, please visit www.ihrsa.org/convention.



Rick Caro

Growing a Successful Gym Requires Consistency in Marketing

By: Jim Thomas

The biggest problem your gym has is obscurity. No one knows who you are, and those who do don't have you at top of mind. Job one is to be sure the door is swinging, the phone is ringing and the email is dinging.

Most gym owners know the importance of marketing and promoting their gym on a consistent basis, but so many gym owners really struggle at delivering on that promise.

What keeps gym owners from marketing consistently? How can owners put a plan in place to make consistent marketing easy?

- Do you post regularly on social media? Since only about 5% of your posts will be seen by your audience, you'll need to post a lot. To start, we suggest Facebook, Twitter, Google+, LinkedIn and Instagram.
- Are you posting on your blog a minimum of once per week?
- Are you using Constant Contact or something similar to send out a monthly newsletter to your members, former members and missed sales?
- Are you utilizing such platforms as Medium or LinkedIn to publish your articles?
- Are you posting regularly to YouTube?

How about this?

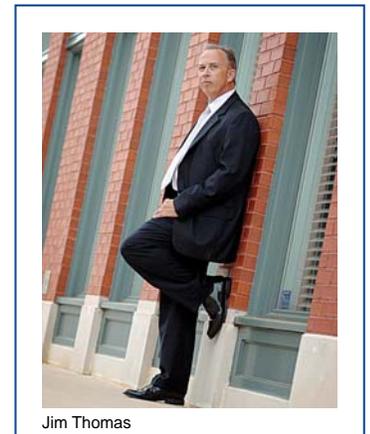
- Are you participating in local networking

groups to help grow your gym ambassadors. Check out meetup.com and search for local networking groups.

- Do you comment and share other blogs, social media posts and articles?
- Are you doing webinars to help reach a mass audience in your community?
- How are you doing on lead follow up? Most follow up has success between the 5th and 12th attempt.

Here's what I hear from gym owners on why this is not done:

1. I don't know what to write about. Here's what I do; I write about what's going on around me. Questions that I'm asked, training that is requested... I simply turn it into an article. You can also stay



Jim Thomas

(See Jim Thomas Page 24)

..IHRSA Awards

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wide and at the heart of it is the belief that *Exercise is Medicine*. Among the life-changing programs offered by the club are Living Well After Cancer and Project Walk, dedicated to improving the quality of life of clients with spinal cord injuries, Summer Camp scholarships and Adopt-a-Family, which offers support to families during the Christmas season.

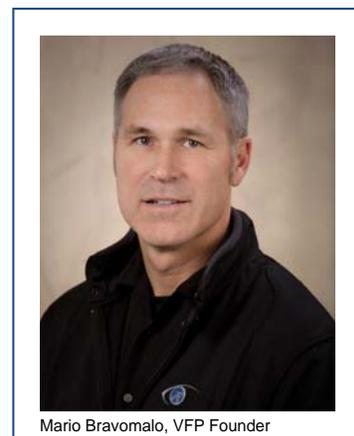
"We are humbled and honored to be recognized as the 2016 recipient of the IHRSA Outstanding Community Service Award. The programs that have become core to our club and a large part of our culture are proof that exercise and fitness in the right environment have a remarkable impact on the quality of life of those struggling with chronic injuries and illness," said Mike Alpert, President and CEO of The Claremont Club.



Mike Alpert, The Claremont Club

Associate Member of the Year

The Associate Member of the Year Award is presented annually to recognize an IHRSA Member for their significant



Mario Bravomalo, VFP Founder

contributions to the advancement of the health club industry, as well as their support of IHRSA, its members and its mission through program and event participation, advertising and sponsorship.



Daron Allen, VFP CEO

Visual Fitness Planner was selected as this year's honoree due to their passion for the industry and commitment towards helping club operators better use technology to solve their needs and grow revenue.

...Norm's Notes

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and her sons, GUY, MARCUS and LEO, who operate the company. And, I'm pleased to announce that our CLUB INSIDER Cover Story for March will feature World Gym International! Stay tuned for next month's edition when we will present coverage of World Gym International's 40th Anniversary.



•Folks, don't miss IHRSA 2016 in Orlando, IHRSA's 35th Annual Convention and Trade Show, March 21-24th! Last year's IHRSA Convention drew over 13,000 attendees, speakers and vendors and 388 Trade Show exhibitors, and it's anticipated that the Orlando event will top that. IHRSA has provided some tips to consider, some of which I have modified for your benefit. Read on:

1. Map out a plan of attack before you arrive. With more than 100 sessions in seven education tracks, it's easy to become overwhelmed. Review the conference brochure online in advance and highlight the sessions that would be most beneficial to you and your business. Go to www.ihrsa.org/convention.

2. First timers are urged to attend the "Making Connections" Orientation that will be held Monday, March 21 from 7:30AM - 8:30AM.

3. Download the official IHRSA 2016 app. The official IHRSA 2016 app, available for iPhone and Android, will put everything at your fingertips.

4. Try a non-traditional education format. Everybody learns differently; that's why IHRSA 2016 offers educational opportunities in a variety of interactive formats, in addition to traditional seminars. Attend networking roundtables, educational tutorials, workshops and IGNITE!, a fast-paced 75-minute event where selected presenters speak for five minutes at a time.

5. Although you'll be walking miles and miles during the convention and trade show... plan to make time to work out at the Trade Show during the 6AM - 8AM pre trade show hours!

6. Visit the ENTIRE trade show. This is a MUST DO folks! Attending and walking the entire 2-day IHRSA Trade Show is highly recommended because you never know when you're going to find something, or someone, to help you advance your club business. And, please make special

time to stop and visit with each of our CLUB INSIDER Advertisers shown below, because they're really great people who'll treat you well:

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Muscle Up Marketing	#1655
Sports & Fitness Insurance	#2842
Visual Fitness Planner	#2236

7. Stop by the Opening Welcome Reception on Monday, March 21st from 7:30PM - 9:30PM! This is a terrific opportunity for you to meet, greet and network with thousands of club owner/operators from across America and around the world. Don't miss the Opening Reception!

•For those of you who offer tennis in your club(s) and are planning to attend IHRSA 2016 in Orlando, you might want to also schedule a little trip down the highway after the IHRSA Convention from Orlando to Miami Beach where, on March 23rd thru 25th, the Tennis Owners and Managers Conference will be held. There will be 20 featured speakers, including our friends, DR. GERRY FAUST and CASEY CONRAD. For information, go to www.tennisindustry.org or call (843) 686 - 3036.



•BRAD THORP, a great guy and a 25+ year industry veteran, has been named by BANU DHANAKOTI, FITRAX CEO and Co-Founder, to take over the sales helm at FitRax. One of Brad's first moves was to announce the official launch of ActivLIFE, a unique technology-based program that complements the member to trainer and staff interaction, by utilizing an ActivBAND wearable, mobile and web-based app that provides comprehensive tracking, communication and the opportunity for club-based programming. Congratulations Brad on your new role!

•UFC GYM, La Mirada, California, known for its unique Train Different approach that combines the world of mixed martial arts (MMA) and fitness, opened its largest gym on January 23rd. The new gym, open 24 hours a day, is located at 14920 La Mirada Boulevard in Mirada, a city in southeast Los Angeles County. The La Mirada location joins more than 130 UFC GYM clubs and 100,000 members worldwide and is the fifth signature club in the region along with locations in Torrance, Corona, South Corona and Rosemead, California. Throughout opening day, UFC GYM hosted a variety of activities including

demonstrations of UFC GYM's most popular programs and classes. There was also a Ribbon Cutting Ceremony with the La Mirada Mayor in attendance, a DJ, discounts at the Arm Bar Café, drawings and giveaways, including a large screen TV and family-friendly activities, such as a jump house and face painting for kids. Congratulations to all at UFC GYM La Mirada, MARK MASTROV and his entire UFC GYM Team!

•First, I want to extend sincere Thanks and Appreciation to the terrific folks at Hudson Grille in Sandy Springs, Georgia, (See Norm's Notes Page 8)



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for hosting our special Trio Birthday Party on January 16th. Special Thanks

to key people, HEATHER WATSON and ELIZABETH SALAZAR, for all they have done for us. Also, and very importantly, I want to extend sincere Thanks and Appreciation to all of you who attended our birthday party and/or made donations in person or mailed them in for Augie's Quest in honor of our three birthdays: My son, JUSTIN's 31st; our friend, JACKIE KINLAW's 62nd; and yours truly's 70th. As I promised in last month's Norm's Notes, here's the list of Augie's Quest Donors who contributed a total of \$2,340 to the effort of helping AUGIE and LYNNE NIETO find the Cure for ALS:

JACKIE KINLAW, JOHN GORMLEY, JUSTIN CATES, JOHN ESPY, HUGH and MARY KAY DUSKIN, GALE LANDERS, PAUL BOSLEY, JIM WORTHINGTON, LINDA MITCHELL, KAREN WOODARD, LEILA MILLS, LEE and LISA MERRELLI, LYLE RAY, LOUISE and JACK IRWIN, SCOTT and KAREN MURRAY, BJ CULBREATH, BARBARA RATNER, RONNIE WALKER, PETE GLOVER, "GATOR DAVE" CATES, MICHAEL "PEACHES" KOBLEUR, CODY PEARSON, PATTI WHEELER, TOM LUTHER, KEVIN DAVIS, KAY PROPERTIES LLC, JAMES VOGLEY, JERRY MARTIN, VINNY BUJAN, TOM and DEBBIE MYSLINSKI, LEE HAMILTON, GARY "SPECKLED TROUT" YOUNT, MARK "CAPPY" CAPUANO, JACK and ELIZABETH KLEBE, DR. ROSALIND GAMBA, BILL and PATTY JONES, DR. ART CURTIS, SONDR A KATNIK, MARLENE WIGGINS, VINNY BUTERA, BILLY PATELLA, BEN and LINDA JONES, BILL BARNES, RANDY BRUCE and LUANN NOLAN, DEBRA WENDER, MIKE McSHANE, VERN BOYER, TINA HEIDRICK, ED ST. ARMAND, JR., JIM MILLER, LON GOODMAN, PAUL HYNES, JEFF TYSON, SONNY NOAH, RON HUTCHKINS, BILL PERRY, BILLIE LEONARD, TOBY TOBIN and "SITTIN' DOWN BOB."

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•God bless all of our troops, airmen and sailors worldwide and keep them safe. Thank you, Congratulations and Welcome Home to all of our troops who have served in Iraq, Afghanistan and around the world. God bless you and your family, your club staff, your members and your club(s). God Bless America!

(Norm Cates, Jr. is a 42+ year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of CLUB INSIDER, now in its 23rd year of publication. Cates was IHRA's First President, and a Co-Founder with Rick Caro and five others, in 1981. In 2001, IHRA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. Cates can be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)

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...HealthQuest

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Baseball Academy against the area's best competition. We always saw HealthQuest as the mecca of fitness growing up; the place was unreal! After my high school years, I attended Penn State University, as a Secondary Education Major. I am in the process of receiving my MBA from Fairleigh Dickinson University with a focus in Entrepreneurship. I currently live in Chatham, New Jersey with my wife, Samantha, and Golden Retriever, Lucy.

C.I. - How did you get involved in the health and fitness club industry?

WW - After graduating from Penn State, I was in the job market looking for teaching positions, as well as being involved in early development stages for a healthy alternative, quick-serve restaurant franchise. An opportunity was presented to me to interview at HealthQuest for *Assistant Director of Fitness*, as I was also doing Personal Training, as well as teaching Sport Performance Classes in the Hackettstown Area at the time. I met with **Deirdre Whalen**, *General Manager* (former) of HealthQuest at the time, and **Keith Dilgard**, *President of Diamond Nation*. I was impressed with the company, direction and potential for growth in the industry. I had supreme confidence in the brand and believed that the position as Assistant Director of Fitness would be a great start for me to move into a position and grow professionally. The health and fitness club industry is exciting, evolves at a rapid pace and is always presenting new challenges.

C.I. - When and how did you come to be with HealthQuest? What have been your roles, and what is it today?

WW - I began at HealthQuest in June of 2012 as Assistant Director of Fitness, tasked with the role to reinvigorate the fitness department and drive Personal Training sales. Early in my experience as Assistant Director of Fitness, I implemented a *First Trainer Sales System* to provide trainers with the abilities to harness their strengths and improve upon their weaknesses in the sales space. Trainers are not naturally salespeople; many are supremely talented in technique, but they are never informed during their college education that they may be required to sell their services. First Trainer was a perfect storm for me to couple my fitness industry knowledge with learned education techniques to create a well-rounded Training Team. Back-to-back, we achieved the highest performing sales years in company history, 2013/2014, until broken in 2015 by **Chelsea Salisbury**, *Fitness Director* (current). The fitness center continues to grow and hone its offerings to the highest level. Chelsea is a talented leader and has a mindset to never be satisfied with past achievement.

Later, I became *Fitness Director* and then *Assistant General Manager*



HealthQuest - Hunterdon, New Jersey

(AGM). I served in the role as AGM for 2 1/2 years. As AGM, I had the opportunity for a tremendous amount of on-the-job training from the expertise of Jack Cust Sr., Faith Cust, Jack Cust, Jr. and Deirdre Whalen (Dee). As Dee became more and more entrenched in the renovation, it was my job to take over many of her daily responsibilities under her guidance. Upon Dee's retirement, I was named General Manager, and coupled with my MBA experience and club experience, I feel that my knowledge of business and the industry continues to evolve to create a well-directed final product. While I am a strong believer in continuous learning and always improving oneself, I am very fortunate to have the ability to work with the expertise of **Keith Dilgard**, *President of Diamond Nation*, and Jack's right hand in many business ventures. Keith provides the ability for you to grow and learn from his experience and business knowledge. I have been very fortunate thus far of those mentors I have been able to study under, and I believe that my knowledge will continue to flourish and benefit the company.

The Renovation

C.I. - Please tell us about the extensive renovation of HealthQuest that was recently completed.

WW - First, I will tell you that a key to renovating is always providing options for your members; after all, they are living through the renovation with you! HealthQuest did a tremendous job to ensure members always had options. In 2012, there was a vision from HealthQuest ownership to renovate the locker rooms. In order to stay at the forefront of the health and fitness club industry, there was a need to improve the facility, so Jack Cust Sr., being very instrumental in reinvigorating the Hunterdon County community, decided to liven up the facility and push forward with a full facility renovation. We also

discussed the renovation with industry experts, such as Rick Caro of Management Vision. The renovation to 'The New HQ' would be planned in a multi-phase process. All in all, it ended up being three years in length! Renovation became a reality for us, and we took the challenge in stride!

Pre Phase - Complete refurbishment of the indoor pool, painting and brightening up the area. We installed a Seresco Unit for air quality and an UV Water Filter to enhance water quality to, in essence, lessen the requirements for chlorine. It's all about the experience, and this was the first step to creating a better experience for the members. For children who come to the club with their parents or whom are in between classes, we added a 'Monkey Maze,' an impressive youth jungle gym. 'Mister Twister,' an amusement park slide for the Outdoor Pool, was also added during this time. It's awesome.

Phase 1 - Complete Fitness Center renovation. Life Fitness/Hammer Strength Representative, Justin Lippincott, was instrumental in the layout of HealthQuest Fitness Center, along with Faith Cust, Deirdre Whalen and myself. Prior to the renovation, we transferred the *entire* Fitness Center into a Sports Center Court, *overnight*. We even transferred a sound system for the members! This truly shows HealthQuest's commitment to ensure that members always had an option. In the renovated Fitness Center, we added a Synrgy 360, which is used as a trainer hub, and InBody 520 for body composition services, as well as other top-of-the-line equipment after much due diligence. HealthQuest ownership is dialed in to offering the best options for members. The Fitness Center has a buzzing energy on a daily basis; it's a great space.

Phase 2 - We added a Precor Preva Studio. We utilize this area as a more personal approach to fitness. Also included in this

area are three 80-inch TVs, a nice finishing touch to the room. The Preva Studio is a portion of the Fitness Center, and we are beginning to offer 'Active Adult' type training. Our membership base shuns the word 'Seniors.'

We have a tremendous Spin following, and we wanted to do something different and at the forefront of the fitness industry for our members. So, we added a MyRide Spin Studio with Keiser bikes. Our Spin Room is air regulated, temperature controlled and equipped with Big Ass Fans.

We also added a new café, Salute Market & Grill, which can rival many restaurants in both offerings and physical build out. In this phase of the renovation, we also expanded the office areas and updated our child care area, KidQuest, brightening up the space and equipping it with an arts and craft room. For adults, we created a lounge for those 21 and older. It's a place for adult members to go for a quiet environment. Many members bring laptops and plug in for a few hours before or after a workout. But, we also use this area for events, and my personal favorite, food and wine tastings! It is a unique space of the club.

Phase 3 - Ironically, we completed the renovation by updating the locker rooms, which was what spawned the idea for the whole renovation in the first place. The Family Locker Room came first; this way we could create a temporary Men's/Women's space. In fact, at one point in the renovation, we built a temporary Locker Room space. The creativity of the ownership group and those involved was astounding. The most difficult times of renovation was handled with pure grace. Both Men's and Women's Locker Rooms include a spa like feel, beautiful finishes, a lounge, steam room and saunas.

C.I. - Now, with 105,000 square feet on 38 acres, HealthQuest has an incredible menu of offerings across the categories of fitness, sports, family, wellness and community. I'd like to talk about these categories and the services and amenities offered within each:

Fitness

The key change for us in the Fitness Center was altering the culture of our Trainers. The Fitness Center team is driven, articulate and extremely knowledgeable of the industry. We have a tremendous team, from technique to culture. Our group of trainers makes the difference in the fitness experience. They take on both revenue challenges and fitness challenges with a contagious energy. I cannot say enough positive words about the team to name a few: **Stephen Slack**, *Master Trainer*; **Tara Fischer**, *Elite Trainer*; **Rachel Schlip**, *Elite Trainer*; **Jen Hoehl**, *Master Trainer*; and **Chelsea Salisbury**, *Master Trainer/Fitness Director*.

(See *HealthQuest* Page 12)



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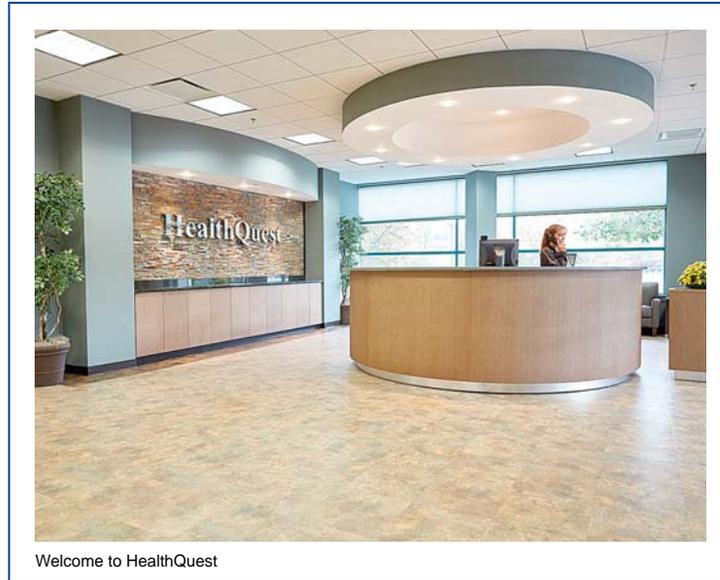
Our Personal Training department has elevated their game tremendously, offering cutting edge techniques from the inception of the member to aligning him immediately with a trainer who will help him meet his goals. Adding new and exciting Small Group Training options and monitoring the pulse of the members to understand their needs continues to improve the business in the Fitness Center. Our Pilates department, in the same vein as the Fitness Center, has a tremendous staff, taking HealthQuest options to the next level. It's a very personalized approach. Client retention in the Fitness Center and Pilates is impressive. We look forward to record-breaking achievements from the Fitness Center and Pilates in 2016!

Once again, our Group Fitness Department has a dynamic, inspirational staff. We offer a full range of 150+ Group Fitness Classes per week, primarily offering Les Mills programs. Many of our members often join HealthQuest for our Group Fitness offerings. Our classes are commonly attended by nearly 40 members, which is the key for us is to ensure that each member in the class is costing under \$1.00. Our Group Fitness Instructors drive members into the class to ensure this figure stays on target. Group Fitness is all about creating the member experience; it's a welcoming, but tight knit community. They keep each other motivated, as our Instructors bring a whole new level of energy!

Sports

Our Sport Center has a check-in area, 'KidZone' for members ages 7 - 13. Remaining consistent with the HealthQuest Mission statement of providing an optimal education component to the club, HealthQuest Team Members from local high schools are 'Homework Helpers' to youth members whom attend KidZone. In fact, this area now sees projects, book reports and presentations, not simply 'Homework.' It's a great offering that arose from ability to recognize a need by **Candace Bunnell**, *Sport Center Director*. 'Homework Helpers' is a definite difference maker for us; not many clubs can help with homework, ensure exercise via programs and provide a healthy snack for youth members. Parents enjoy it!

Our 'All Sports' Classes are inclusive with membership. USA Basketball is a new offering to the club and continues to evolve. We also offer both USA Swim and a recreational approach to competitive swimming, the HealthQuest Hammerheads. We have had a swim team for many years; however, with the elevation of a number of HealthQuest programs, USA Swim was amongst the first to hold a USA distinction. Gymnastics also currently holds a USA distinction. Gymnastics is a fast growing program, and



in fact, we are currently in the position of analyzing whether to provide a build-out to support up to level 10 gymnastics; our team is doing very well and is creating a lot of interest.

Other general offerings based on age include:

For ages 3 - 12 - Children are exposed to different sports every week, creating opportunities to enhance motor skill development and hand eye coordination, building on basic skills to last a lifetime.

For Ages 7 - 13 - Youth Group Fitness provides an option for our youth members to experience exercise to create a lifelong commitment to fitness.

In 2015, Parisi Speed School was implemented at HealthQuest (Owner, **Joe Georgewitz**). Bill Parisi is a longtime friend of Jack Cust, Sr. and Faith Cust. Joe Georgewitz approached Bill Parisi about opening a facility, and Bill and Joe thought HealthQuest would be a perfect fit. We discussed, and the concept came to fruition. In its first year, we earned several Parisi honors, including *Top New Parisi Speed School Franchise* and *Parisi Network Rookie of the Year*.

We also have program affiliations with several Sports Academies:

Jack Cust Baseball Academy - Our program at the Jack Cust Baseball Academy has become one of the most successful programs in the northeast. Established in 2000 as an elite 18U organization, the program has blossomed into a true baseball school with competitive and developmental baseball teams from 10-18U. We aspire to provide 'The Process' it takes to get to the next level in young people's baseball careers through baseball development, education, competition and exposure (www.djacksbaseball.com).

Jennie Finch Softball Academy -

Formally established in the Fall of 2009, the Aces Program offers the highest level of coaching and the most unique playing experience in the Northeast. Their coaching staff is dedicated to the development and education of our young athletes, while providing an environment of evaluation, competition and exposure in the finest state-of-the-art facility in the country. Their mission is not only to teach these young women the physical skills they need to become a better athlete but also instill in them the cognitive skills they need to become better adults. While teaching the lessons of the sport, they hope to shape their athletes into productive members of society (www.diamondnation.com/finchs-aces.html).

Family

We offer numerous programs that allow family members, young and old, to enjoy HealthQuest in numerous ways:

Dance Academy - Mini Movers, Ballet, Pointe, Jazz, Tap, Creative Dance, Hip Hop, Lyrical, Breakdance and Baton. Every year, we offer an impressive dance recital, and it is always a big hit! We have a competitive Dance Team, 'Q-Dynamics,' whom is constantly winning awards. In fact, we need a bigger trophy case, a nice problem to have!

Gymnastics Academy and Team - I mentioned our gymnastics program briefly, but it's important to know that we have State Champion gymnasts in this program, and we continue to become more competitive in each meet. I have to thank our Gymnastics Coaches for their hours of hard work in the gym to ensure that we are delivering the highest quality possible, as well as the members for their dedication to the program! We have the USA Gymnastics distinction, and members have the ability to climb levels and qualify for the Junior Olympics. Besides our

Competitive Team success, we have a robust recreational program that includes over 700 students. Recreation Gymnastics is where we began. As we evolved with member needs, competitive gymnastics has become a reality for us, and our gymnast's are quite successful. **Maryanne Barraco**, *Gymnastics/Dance Director*, holds these two departments to the highest regard, and I give Maryanne much credit!

Kid's Nite Out is an opportunity for parents to take a night off, go out to dinner, go shopping, etc. Whatever it may be, they can rest assured that their children are under great care and are having a great time! Our *KidQuest Director*, **Linda Kanewski** does a great job in creating the experience for "little people", as Linda calls them.

Kokikai Aikido - **Rick Goodman**, *Sensei*, is an 8th degree black belt in Kokikai Aikido and is one of its five most senior and respected instructors in the world. He has trained over 30 years. We also offer Judo, Tai Chi, Tae Kwon Do, and we host World Tai Chi Day every year! For kids, we offer Kids Judo, known as 'the gentle way,' and it is excellent with throwing techniques, ground grappling, specialized pins and control holds. This is great for kids in middle and high school wrestling. We are also registered through United State Judo Association (USJA). **Doug Woelfel**, *Martial Arts Director*, has a positive approach to instruction and has done a great job in building the program and controlling expenses of the department.

No Limits is a program designed for special needs members, including movement, games, swimming and activities designed to build self-esteem; improve social interaction; focus and function of daily living skills; reduce anxiety; improve range of motion and provide opportunities for physical activity.

Pre School - Begins at 18 months with 'You & Me' to Kindergarten.

Wellness

Wellness has become a strong component to the Fitness Department, as we look at the full picture of the member. We do not believe in a one-size-fits-all approach to fitness, health and wellness for our members. Our expert staff has the ability to consult with members and drive them to different areas of the club as they see fit. It takes a confidence in your product as a Trainer/Instructor to recommend a member try out Pilates or work with another trainer due to the fact that their goals align with the other trainer's expertise.

In HealthQuest Partnership with Hunterdon Medical Center, we are fortunate to have 'The Department of Integrative Medicine' on location at the club to offer nutritional counseling, (See *HealthQuest Page 14*)



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massage and acupuncture. HealthQuest, in partnership with Hunterdon Medical Center have the vision to create fitness, health and wellness opportunities for the entire community. Our fitness expertise, coupled with Hunterdon Medical Center's Medical/Wellness expertise, creates the full package. Other offerings in this category include:

Salute Market & Grill - An Italian market with a healthy spin provides delicious offerings to our membership base, as well as the community. Salute caters all HealthQuest events and birthday parties and also has catering offerings.

Master Swim - A program provided to members to improve their swimming technique, and ability. Many of those involved in Master Swim are training for Triathlons or Ironmen events.

Indoor Track - 1/10-mile track overlooking the Sport Center. It provides members the opportunity to get out of the poor weather and indoor for a running experience.

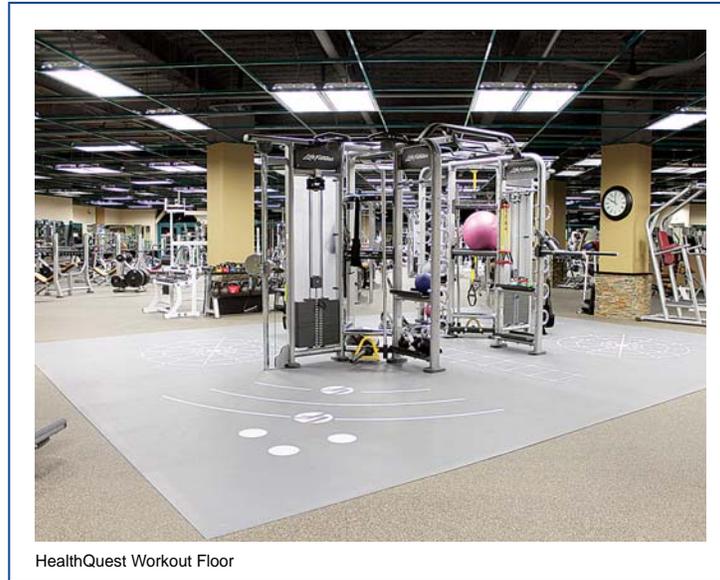
Community

Our **Mission** is to provide high quality family fitness, wellness and athletic opportunities in an optimal, educational, friendly and entertaining environment, utilizing state-of-the-art facilities available to the entire community.

We are a team heavily reliant on culture. We are a team-before-self club, and we will drop everything to help in times of need. We opened our doors to those in the community affected during Hurricane Sandy, as well as other storms. This provides the ability for the community to attend the club during certain hours to take a shower, charge their phones/laptops and get out of the cold! Internally, for example, there were times during the renovation where we as a team were 'all in' and would move desks and files, rather than our normal duties, to get the job done together. It's a great team; we work hard, but we all know how to have fun!

We take club events, very seriously, always trying to top the last event:

Membership Appreciation Days - We completely transform the club to create an experience for members. Casino Night was the celebration of our 'Chance of a Lifetime' Referral program, in which we raffled off some incredible prizes: A 3-year 4 Series BMW Lease, a \$5,000 Trip, a Lifetime Membership, a 3-Year membership and 1-Year Membership. The offerings sound tremendously expensive; however, we were to profit in 36 memberships (12-month contracts). It was a very creative offering and surely created a buzz!



HealthQuest Workout Floor

Other examples include: *Wild West*, in which we transformed the club into a saloon and *Beach Day*, in which we filled the lobby with sand and volleyball nets, and seagulls were hanging from the ceiling. *NERDS Concert* - Well known, Jersey Shore band, the *NERDS*, come to HealthQuest each year. It's a big hit with members where it's BYOB, and we offer food options. It's a great party. *Garden State Comedy Shows* - This was new this year, and we had a tremendous turnout. *Vic Dibitto* was the headliner; he is known as the 'Bread and Milk Guy' from YouTube and also had a role in *Paul Blart - Mall Cop 2*. *Hunterdon Medical Center Gala 2015* - The Jack Cust Baseball Academy hosted the event in the baseball dome next door, and it was transformed for the evening.

Most recently, we hosted 'How the Grinch Stole Breakfast with Santa,' an event in which we transformed the Sport Center into 'WhoQuest,' equipped with a 'whimsicle' feel. With over 400 attendees, it was the largest and most successful 'Breakfast with Santa' in our history. Directors/Managers and team members dressed up as 'Whos,' we had performances by 'Suesicle,' a visit from the Grinch, and Santa finally arrived with a gift!

Marketing Partnerships - We provide community businesses the opportunity to partner with HealthQuest to market their product/service. As we continue with a vision of community integration, it's a great thing to see local companies advertising their products/services to the membership base. Marketing Partners also provide discounts to our members as well. We have great relationships with marketing partners. Our Marketing Team does a great job attracting and managing these relationships.

HealthQuest has gone nearly completely 'paperless' in an effort to go green. This was an initial challenge for the Marketing Department; however, through much research and the assistance

of technology, we now have the ability to provide opportunities for marketing partners via cardio machine screens, the HQ App, Facebook/Social Media and TV screens through the club. As technology expands, we continue to evolve.

C.I. - Please describe the outdoor components at HealthQuest. And, does HealthQuest tie in with the nearby indoor baseball dome?

WW - Besides the HealthQuest Swim Club and Team, we have a field we use for camp, rental space (lacrosse and soccer), as well as a camp tent that we use during the hot days for Camp Dynamite and other specialty camps. Also, Personal Trainers will often take advantage of the warm weather and head outside with their clients for some fresh air. This has a great energy.

As for the dome, the Jack Cust Baseball Academy primarily utilizes the facility. HealthQuest programs utilize the turf/dome areas for soccer, youth programs, and occasionally, Boot Camps in the summer.

C.I. - How many membership accounts do you have, and how many members does that equate to? And, what are your typical dues rates, as well as your initiation fee?

WW - We have 3,600 Membership Units, which encompasses about 10,000 members. Ranging from **Youth** - \$59.00 to **Family** - \$186.00. Average Dues are \$117.00. We do not commonly charge an initiation fee, unless purchasing non-agreement memberships.

Also, we are in the process of creating an *Invest in Your Employee* program, where we provide membership blocks (25+ membership) for companies to purchase for their employees. This shows the benefits of exercise, health and wellness to their employees, as well as reduces healthcare costs of the company. It's a win-win.

C.I. - Having earned numerous honors,

including *Club Industry's* Top 100 distinction eight years in a row, HealthQuest is an industry leader. What do you think HealthQuest is most known for?

WW - HealthQuest is most known as a premier family fitness, health and wellness club with all-inclusive offerings, unrivaled fitness opportunities and the ability to service the entire family. We are known for having the best people, best programs, best facility, and most importantly, the best members. The unlimited fitness options provide a dynamic experience and the ability for members to dial in their own approach to fitness, health and wellness.

C.I. - But, of course, like anywhere, I'm sure there is plenty of competition. Can you tell us about that?

WW - Competition in the area includes: Planet Fitness, Retro Fitness and Crossfit Facilities. We believe that we possess an offering that can appease the needs of all fitness interests; however, the area clubs do a great job in their niches as well.

C.I. - Please tell us about your relationship with the Hunterdon Medical Center. How is the medical center involved after the recent partnership?

WW - Our partnership with Hunterdon Medical Center (HMC) includes their purchase of memberships over a multi-year agreement. This provides the ability for payroll deductions on the HMC side for their employees and upgrades to Couple and Family Memberships for the HMC employee paid to HealthQuest. Included in the partnership is reciprocity, three visits per month between HealthQuest and Hunterdon Wellness Center members. Additionally, a Wellness Advisory Board has been created that represents the ownership of both organizations to develop a community wellness plan that will build new programs and encourage more members of the community to recognize the value of exercise in their daily lives. This is key to ensure that the Mission of Partnership is being carried out to the fullest.

C.I. - What advice would you give to other organizations that are considering partnership with a hospital system?

WW - In partnering with area hospitals and medical centers, my best advice is to ensure that you create a Board of Advisors and meet on a monthly basis. Daily business gets busy, and before you know it, the month has passed and potential opportunity could be lost. Wellness Advisory Meetings are key. We created the Board with the mission to provide health, fitness and wellness opportunities to the entire community, together. Hospitals have an endless well of knowledge, and the health and fitness industry coincides directly with reducing health care costs. We have fostered a great relationship with Hunterdon Medical Center, and in fact, they have a location on our premises

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offering massage, acupuncture and reiki, as well as providing offerings for *I Lost it at the Club* that we are running this year via Physician-led seminars. The future of the fitness industry is wellness; people turning 60 want to feel 40 again. It is our job to ensure this is a reality: *exercise is medicine*. That is proven, but the difficult part is to get the deconditioned to understand. I believe partnership with a hospital system drives home the reality that exercise can prevent a wide array of medical issues. In reality, if your doctor tells you, 'you need to join a gym,' you join a gym! More and more, we will see people becoming more active and making healthy choice due the population becoming increasingly educated.

C.I. - Who are some of your key staff members? What are their roles and tenures?
WW - We believe in a 'One Club' culture. Each Team Member plays an integral role in the HealthQuest experience and taking the club to the next level. We believe in developing our team, encouraging growth, celebrating success and improving upon weakness. We, as a Team, are the heartbeat of the club. I feel very fortunate to work with everyone on a daily basis. Some of those I would like to mention include:

Lisa Carlson, *Assistant General Manager/Marketing Director, March 2010 - Current*. Lisa began as a Pilates Studio Manager, then Director of Marketing and was recently promoted to Assistant General Manager. Lisa is a tremendous team member with a positive attitude and a 'Let's go!' leadership style. Her ability to relate to employees and members is unrivaled. Lisa has also been instrumental in the rebranding of the 'New HQ.'

Rob Cormio, *Director of Operations, 2015 - Current*. Rob came to HealthQuest, formerly as a part of the Rutgers Athletic Facilities Team. Rob was immediately a great fit, feeding into the HQ culture and providing his experience and expertise in the areas of operations. Possessing a 'whatever it takes to get the job done' mindset, Rob has been instrumental in the improvement of many areas of the club.

Chelsea Salisbury, *Fitness Director,*

September 2013 - Current. Chelsea is a great leader. She transformed the culture of the Fitness Center into a strong team atmosphere. It's a one-team mentality, always the first to help and ask *how* instead of *why*. From day one, Chelsea has possessed a tireless drive for success, and it shines through in her daily efforts.

Darrell White, *Creative Director, March 2003 - Current*. Darrell is a jack-of-all-trades, and his attention to detail is admirable. He is currently the Creative Director, but he has been involved in many components through the years. He's a great team member, person and advocate of the HQ brand!

Brian Comerford, *Marketing Manager, June 2012 - Current*. Brian is driven, goal-oriented and enthusiastic. He takes on challenges in stride and is an active learner. Brian not only plays a vital role in marketing, he created a successful 'N.J. Street Devils' program, as well as provides support for logistical planning of events.

C.I. - How has the New Year's Rush been going? What did you do in 2015 to prepare?

WW - New Year's rush has been great. We broke 120 memberships on the month and are showing a great net membership. We always prepare the club in the New Year to integrate into the 'New Year, New You' mentality. Our goal is to become a lifestyle for members, and we guide members to a more healthy way of living. We do not portray ourselves as a New Year Resolution club, but instead, a lifestyle, a commitment. We have opportunities for the entire family and the ability to stay at the forefront of the health and fitness industry. We are evolving; the fitness experience is exciting at HealthQuest.

C.I. - What opportunities and challenges do you expect in 2016?

WW - A challenge that I expect to face in 2016 is the aging demographic of the Hunterdon County population, so we are searching for opportunities for the Active Adult. While tracking membership transitions at a granular level to understand the Hunterdon County population, we have experienced a slight decline in Family memberships over the past number of years due to aging population and downgrades to Couple and AI memberships. We do

An Interview With Jack Cust, Owner of HealthQuest

CLUB INSIDER (C.I.) - Let's go back to the beginning. When and how did HealthQuest come to be? What was its original size and initial offerings?

Jack Cust (JC) - HealthQuest came to being in 2001. It was conceived as a result of our accounting and financial consulting services that we provide to the recreational and club industry sector. My family has a deep interest in sports and recreation, particularly in the baseball world as I played collegiately at Seton Hall and all three of my sons were high school All Americans and were drafted professionally. My oldest son Jack was a 1st round draft pick and played in the Major Leagues, so the love and passion for sports and recreation was always there.

As a CPA, it made sense to combine our business and passion for sports to create a facility that our family and community could enjoy. The original size was and still is 105,000 square feet. Most of our original programs remain the same as they were and continue to be very popular. We add or change our programming based on constant performance assessments and member feedback. HealthQuest together with our affiliated company, Diamond Nation, provides recreation, training and development for thousands of families and athletes throughout the state of New Jersey utilizing our unique 50+ acre campus under the direction of our outstanding management team and staff. It is designed to provide top-notch opportunities, ranging from recreational to competitive programming, with industry best facilities and staffing.

C.I. - What advice would you give other owners in selecting management teams to confidently run a facility?

JC - Giving advice is difficult because everyone's circumstances are different. There are many factors that are needed to run a successful business for the long term. Generally, though, I would say several things are important to me:

1. Create a good plan using all the resources available in your circumstances.
2. Get the best people you can, and build a great team to execute your plan.
3. Always be willing to adjust your plan based on constantly assessing results and comparing them to your goals and mission statement.

C.I. - You believe in giving back to the community in order to improve it as a whole. What are some of the ways you have tried to do this for Hunterdon? What feedback have you received, and though not the goal, what has it done for your businesses?

JC - As a significant employer in our community and the ability to touch so many thousands of people, it's a privilege to be able to have the resources to support more than 100 organizations and events on an annual basis. We accomplish this through a combination of financial support, in-kind services and making our facilities available to nonprofit organizations when appropriate. The feedback and appreciation has been greatly received, and it fosters our relationships and branding for our company within our community.

envison the Family population to return in the years to come.

Another challenge I expect to face is to ensure staff is operating at a consistent, high level. It is my intention to ensure that our team is firing on all cylinders from each department. We are a newly renovated facility, so we have to ensure we are staffed with the best people to portray the best experience from front

line to Directors/Managers.

We are beginning to capitalize on a large number of interns to create channels from local colleges. We have seen some tremendous employees comes from this vein, so that is a great opportunity. To improve Facilities, as mentioned, we recently hired a *Director of Operations*, **Rob Cormio**, formerly of Facilities (See *HealthQuest* Page 18)



Lisa Carlson



Rob Cormio



Chelsea Salisbury



Darrell White



Brian Comerford

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...HealthQuest

continued from page 16

at Rutgers University. We are taking a granular look at operating costs in 2016. Finally, to provide an education and empowerment to Department Directors, we provide revenue, payroll and expense budgets to ensure we are operating at peak efficiency. Monthly 'Working Meetings' are held to understand Departmental Health and work through issues, as well as provide support to departments in need. It is our intention to educate our team members and evolve as a business.

HealthQuest has become a destination in Hunterdon County through top-notch facilities, memorable team members and motivated members. The place is buzzing on a daily basis! As a business, we develop our Directors, Managers and Front Line Staff. We believe in hiring the person who exemplifies our CORE Values and capitalizing on their strengths and improving upon their weakness. HealthQuest has the competitive advantage of being able to tailor to a person's health, fitness and wellness goals due to its variety of options.

C.I. - Longer term, what is your vision for HealthQuest in the next 3 - 5 years?

WW - Over the next 3 - 5 years, I envision HealthQuest continuing to stay

at the forefront of the fitness industry with premier offerings for members. We will continue to analyze the direction of the health and fitness industry and provide unrivaled opportunities. I foresee our membership base growing to 3,800 units, thus feeding ancillary revenue drivers as well as programs. I foresee HealthQuest continuing the relationship with Hunterdon Medical Center to become more involved in the process of wellness to ensure that Hunterdon County continues as one of the healthiest counties in the country! I also envision the Fitness Center will continue to grow and evolve into a \$1 million Personal Training Department, as we are well on our way. Pilates also continues to evolve to never before seen heights. And, I envision the Group Fitness Department to become even more of an experience than they already are. Finally, our competitive programs will continue to evolve, and once it makes sense, we will create a build-out for those programs, eventually creating a USA Gymnastics Facility. Armed with

the best team and best facilities, I foresee much future success!

C.I. - As an IHRSA Member, what benefits have you received from membership?

WW - As an IHRSA Member, we utilize the IHRSA website (www.ihrsa.org), as well as Webinars consistently to ensure that our Managers and Directors are in tune with the health and fitness industry and best practices as well as offerings. Attending the IHRSA event was very enlightening for me in 2012, as I was brand new to the industry. There was much to learn and much networking to do! I look forward to IHRSA Orlando this year, I hope to one day in the future speak at IHRSA, amongst the top notch of fitness industry professionals. I am also involved in REX Roundtables as well. This is a tremendous tool for open discussion and constant business support from your peers. Eddie Tock is a wealth of knowledge and has seemingly endless connections in the industry. REX is a great tool for daily operations, to analytical

financial analysis.

...

This was an enlightening interview with **Wade Williams**, General Manager of HealthQuest, and I thank him for all of his time and attention to detail in making this a great cover story for our readers. In that way, I experienced the HealthQuest difference firsthand. Thank you also to Jack Cust for his time interviewing. And, finally, thank you to Darrell White for his assistance with photos and graphics.

(Justin Cates is the President and 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 31 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)

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Internet Middlemen and the Fitness Industry

By: Stephen Tharrett and Mark Williamson

Part II

Publisher's Note: In **Part I**, Stephen and Mark explained the relatively new category of Internet Middlemen and the different kinds of relationships being seen through their utilization. These relationship types include: *Symbiotic*, *Parasitic* and *Cannibalistic*. They also introduced two of the four major U.S. brands in this category. In **Part II**, they will introduce the other two major U.S. brands, as well as offer some comparisons to be aware of if deciding to use one of these services.

• • •

FitReserve

Another entrant to the fitness Internet middleman market in the U.S. is a company called FitReserve, based out of New York, which launched in the fall of 2014. FitReserve, like ClassPass, offers consumers a monthly subscription that allows them to register for over 35,000 classes at approximately 275 studios throughout the New York City and Boston metropolitan areas. In October of 2015, FitReserve launched in Boston, MA. According to the company's Founder, FitReserve's subscription model (value proposition) is different compared to ClassPass and others in the segment.

First, FitReserve allows consumers to visit each of their partner studios up to four times per month, more frequently than members of ClassPass. Second, FitReserve does not allow studios to "black out classes," meaning FitReserve members have access to a studio's entire schedule. Presently, ClassPass does not provide their members with total access to classes at their partner studios. Third, FitReserve has created three offers that serve the needs of fitness consumers from beginner to enthusiast. The three options are: access to five classes a month at \$79 (classes must be used during the month they are purchased); access to ten classes a month at \$149 a month; and 20 classes for \$249 a month. These rates are designed to be more in line with the pricing offered by studios, therefore supporting each studio's value proposition. Fourth, FitReserve offers its members' additional benefits (e.g., discounts) through partnerships with other Internet-based middlemen, such as Uber and Zeel.

Like ClassPass, the consumer acquires a subscription that offers them a discount ranging on the cost of an individual class/session compared to if it were purchased directly from a studio/club. From the studio's perspective, FitReserve

allows them to capture a considerably higher price point than they would from the other Internet middlemen in the fitness segment. In addition, FitReserve allows studios to market their other services through the platform.

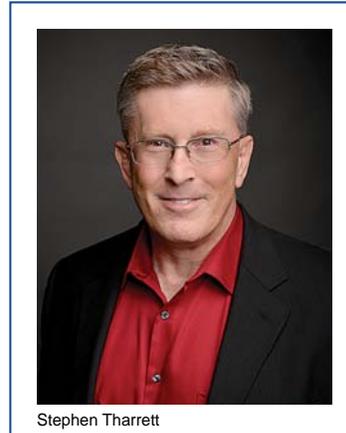
Dibs

The fourth major U.S. entrant to the fitness Internet middleman market is a company called Dibs. Dibs' value proposition is more closely modeled after platforms, such as Open Table for restaurants, and to some degree, many of the hotel booking platforms. The Founder of Dibs describes the platform as a B2B (business to business) platform with a consumer-facing value proposition that leverages real-time dynamic pricing, a principle used by airlines and hotels. The platform allows studios or clubs to establish their minimum and maximum price points, and the platform then uses sophisticated algorithms to offer consumers real-time prices based on the studio's/club's supply and demand dynamics: If the demand is high and supply is low, the price received goes up; if the demand is low and supply is high, the price drops.

Dibs generates revenue by taking a percentage of the fee the studio obtains from each registration, similar to what GrubHub and Just Eat do in the restaurant segment. From the consumers' perspective, Dibs will allow them to book a class at any partner studio with the understanding that the price they pay will be determined by the studio's price parameters and supply and demand dynamics. To gain access to the most popular classes, consumers will pay more, and for less popular classes, they will pay a lower fee; think airline capacity and load models.

PayAsUGym.com

Though this article series is focused on U.S. entrants into the fitness Internet middlemen Market, it's important to consider the international scope. In the United Kingdom, PayAsUGym.com, is the U.K. market leader in offering the health and fitness club industry a viable Internet middleman platform. As of the fall of 2015, PayAsUGym reported having 2,300 gyms and studios and 430 pools in its network. Like most of the other fitness Internet middlemen, PayAsUGym offers consumers a subscription model that allows them to acquire access to the over 2,300 gyms and studios and 430 pools in their network. The platform offers consumers two core options. The first is a pay-as-you-go program where the consumer pays for one day's visit or for up to 30 days. This option provides the consumer flexibility



Stephen Tharrett



Mark Williamson

and a guarantee of a lower price point than if they visited the gym/studio on their own. The second option, called an unlimited pass, offers unlimited access to the platform's network of gyms, studios and pools at a price point of 50 pounds if purchased on a monthly basis and 49 pounds a month if the consumer commits to a 6-month agreement. Similar to its compatriots in the marketplace, PayAsUGym has rules regarding how its members or clients use its network of gyms, studios and pools.

Comparing Your Options

All that sparkles may not be precious: each of the middleman business models brings different considerations for the business operator.

ClassPass probably drives the most traffic, but it also appears to generate the lowest value capture and would be the most likely to drive a studio's clients to switch. FitReserve and Wildfire may not presently drive as much traffic as ClassPass due to their market presence, but they might be less likely to cause clients to switch due to their higher price points. These two platforms also bring slightly more revenue per guest than ClassPass, but that's balanced by the fact that they probably drive less traffic than ClassPass. All three are subscription models, so they will ultimately compete with studios when it comes to converting guests to regular clients.

Dibs would bring studios the highest price point and most value capture per visit, and since it isn't a subscription model, it doesn't compete with the studio. Due to the dynamic pricing model, it's likely to allow the highest conversion. What's unknown, however, is whether it will drive the same levels of traffic as the others due to a price point that can potentially be higher than the studio's and higher than what can be obtained with the other platforms that offer a subscription model.

The crux of the argument is this: While the middlemen's delivery against the consumer promise of convenience, flexibility and value is unquestionable, it's less certain whether partner businesses benefit. And, indeed, a number of operators are beginning to look at wresting some of the power back from the middlemen.

For studios that are struggling to fill classes, or for new start-ups with a limited marketing budget that want to get their name out there, Internet middlemen can offer benefits, certainly in the short-term. However, for established operators, unless strict parameters are applied to their relationship with the middlemen, the risk of undermining their own business by cutting profitability, undermining perceived brand value and introducing the risk of loyal customers switching to the middleman is very real.

• • •

Looking Ahead to Part III in this Three Part Series on Fitness Internet Middlemen: In **Part III** of this series, we will take a deep dive into the value proposition of industry leader ClassPass. In our final installment, we will offer suggestions on how studio owners and club owners can manage their relationship with the Internet middlemen to garner even greater success and profitability.

(Steve Tharrett and Mark Williamson are veteran club business executives and Co-Founders of ClubIntel, a consulting firm serving the industry worldwide. Steve can be reached at stevet@clubintel.com and Mark can be reached at markw@club-intel.com)

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Tips for Success and Being the Best

Make Difficult Conversations Effective Conversations

By: Karen Woodard-Chavez

Do you have a difficult conversation that you need to have with someone but have been avoiding having it with him? Sometimes, when we have a prickly situation with a co-worker (or any other important person in our lives), we avoid resolving it because we create too much "stuff" around it. The "stuff" is given life because of all the emotion and perception we wrap around it. The emotion makes the situation a bigger, hairier, uglier deal than it often times actually is, and we end up avoiding it rather than having an effective conversation to remedy the situation.

If we can just separate ourselves from the emotion, perception, and frankly, fiction, and stick to the facts, we can be more effective in addressing and finding resolution for the issue. This worksheet is designed to do just that. Answer all of the questions below to peel away the emotion and get to the real issue that needs

to be addressed for the key to successful resolution. Then, you will be able to have a less difficult conversation and a more effective conversation.

1. *What is bothering me?*
2. *Why is it bothering me?*
3. *How did this happen?*
4. *How does **not** discussing it and **not** handling it affect/impact the dynamic of this relationship as well as the company at large?*
5. *How does it affect/impact the outcomes of the relationships with others (co-workers, customers, etc.)?*
6. *What would I like to see as fair resolution?*
7. *What do we each need to do to achieve a fair resolution?*

Once you answer all of these questions, you will peel away all the layers of emotion, perception and fiction, and the simplicity of what needs to be said will be clear. The next step is to schedule some time as soon as possible to have this conversation and move forward. Do not hesitate to take this outline into the meeting with you so that you can stick to the facts and not go back to the fiction. There is absolutely nothing wrong and there is everything right about taking notes into an important meeting so that you say everything you need to say to be effective.

Share this format with any of the important people in your life and show them how to use it to turn difficult conversations into effective conversations.

(Karen is President of Premium Performance Training in Boulder, Colorado and Ixtapa, Mexico. She has owned and operated clubs since 1985 and now



Karen Woodard-Chavez

consults with and trains staff throughout the world. She provides her services on-site, online, by phone and through her books, CDs, DVDs and manuals. She can be contacted at 303-417-0653 or karen@karenwoodard.com)

Is Your Independent Contractor Truly Independent?

By: Melissa Knowles

One of the most egregious misclassifications I see frequently in our industry is the 1099 "employee." The fact that I hear many refer to their independent contractors as 1099 employees is a true sign that these employers are getting it wrong. You're either an independent contractor or you're an employee. These two classifications aren't intended to be blended.

Here are the three common law rule categories you should look at:

1. Behavioral - Does the company control or have the right to control what the worker does and how the worker does his or her job? *Do they have freedom in determining how their tasks are performed? Do they wear a company uniform? Are they free to explore other contracts/jobs? Is the person given training?*

2. Financial - Are the business aspects of the worker's job controlled by the payer? *Are they providing their own supplies? Paying for their own liability insurance? Are business expenses being reimbursed?*

3. Type of Relationship - Are there written contracts or employee type benefits? Will the relationship continue, and is the work performed a key aspect of the business? *Is the relationship going to be short-lived or a one-time project? Is the position one that the business requires permanently? Is the business providing health insurance, a retirement plan or PTO?*

Assumptions to avoid:

1. The worker wanted, or asked, to be treated as an independent contractor.



Melissa Knowles

2. The worker signed a contract.
3. The worker does assignments sporadically, inconsistently, or is on call.
4. The worker is paid commission only.
5. The worker does assignments for more than one company.

The IRS wants its money.

Generally, you must withhold income taxes, withhold and pay Social Security and Medicare taxes and pay unemployment tax on wages paid to an employee. The IRS frowns heavily upon 1099ing someone to get around these taxes. Well, they do more than frown; they *fine the company. Heavily.* This is serious stuff. Along with penalties, an employer would be held liable for all the employment taxes of the misclassified employee. Suits have totaled in the hundreds of thousands to millions for businesses in violation (Orange County Register, FedEx, etc.). Here's a breakdown of what a misclassification may cost you:

Unintentional:

- 1.5% of the employee's wages.
- 20% of the employee's share of the FICA taxes + entire amount owed by the employer.
- No rights to recover from the employee what is due to the IRS.
- Failure to file Form 1099 doubles the percentages: 3% for federal income tax and 40% of the employee's portion of the FICA + employer's share.

Intentional:

- The full amount of income tax that should have been withheld.
- The full amount of both the employer and employee shares for FICA.
- Interest and penalties.
- Criminal and civil penalties may be issued.

The IRS says, "Businesses must
 (See *Melissa Knowles* Page 23)

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'Perception is Value' or 'Enough is Enough'

By: Angie Pattengale

Which is it? What attracts the club members? Should a club offer more so that it has greater perceived value; or can the club get away with offering just enough?

Perception is Value

As a club member myself, I have certain expectations of what the club is capable of offering me; I walk in and ask myself, "Is this somewhere I want to be maybe three, hopefully four, days a week?" Call me superficial or distracted by bright shiny things, but first impressions do it for me... and I'm not the only one. Sure, I guess you could say that I'm a statistic: A woman who uses the club's amenities almost twice as often as my male counterpart. And, I'll even admit to being among the average 80% of club members who don't take advantage of the personal training services offered there (To my defense, I work with industry experts and consult with a trainer in our office on a day-to-day basis, so I have an 'excuse'). *But*, here's the million dollar question, "Would I use the club facility if they *didn't* offer services like personal training?" No, probably not. Why? Because my feeling for the club is, in a lot of ways, dictated by what the club offers me. Value is measured by what is offered to us, not necessarily what we take advantage of. We expect more value for our money, now more than ever, or we'll simply go somewhere else. Consumer loyalty often loses against the spend, even when there is no additional spend and no actual savings. So, have 'the goods' or your members may go somewhere else where they *feel* like they're getting them (Even if, in actuality, they aren't).

Enough is Enough

I grew up with a hardcore bodybuilder. The grid of my childhood was formed in part by watching my dad and his will and drive (made fun by some behind-the-scenes rituals) for getting ready to compete. His training environment didn't include him working out in a large bright shiny health club. He was a grit, grime and sweat kind of trainer, and if he had four concrete walls and the equipment he needed, he was good with that. But, is that enough for everyone? And didn't his 'enough' still require the place he worked out in to have 'the goods'?

Yes. 'Enough' is 'enough,' for some people. They don't need the sun shining through large beautiful glass and sparkling rows of stationary bikes; it's not for them. Some members only care to have enough of what they need and no more, and not just bodybuilders but your average

club member, too. For example, private studios, smaller than chain clubs, generally have just what is needed to get the job done, but most often, they are going for the appeal factor as well and should be. Private studios tend to attract people who prefer a more intimate, private setting. For them, 'enough' can be 'enough,' but not without the additional value proposition that is the appeal to privacy and aesthetics. Whether you are operating a large attractive club, a primitive style gym setting or a more intimate private studio, your place should still have 'the goods' and bring the value to the member that they are looking for (and are willing to pay for).

The Goods

What are those factors that make a club member, myself included, feel like there is added value? Well, some of 'the goods' go without saying, and others go beyond 'enough...' but can be achieved, and should be a priority, no matter which setting you are operating from. These things include:

Cleanliness - This is one of those things that go without saying; your club should be clean, always and without exception. Whether it's the locker rooms, bathrooms, workout areas, pool, nursery, etc... it all has to be clean. This doesn't require having the biggest and baddest facility, just people who care enough to clean it up. Even if, like my dad, you prefer working out in a more primitive style environment, you still expect that your feet won't stick to the floor and the bathroom is maintained.

Aesthetics - The club's façade makes a difference. There is a perceived value in the way it looks. Funny enough, this has almost nothing to do with any benefit to the actual fitness program or progress. Other than the member may come into the club more if he likes the way that it looks. And, this holds true for 'box' settings too. If your club is taking on an industrial, primal type of feel and vibe, then own it and be purposeful in that style of aesthetic appeal.

Friendly Faces - Walking into a club staffed with grumpy staff is not motivating. The daily grind is hard enough for most people. So, they want to walk into a whole new world and feel good about it... not like they just left the demands of the day to walk into the teenager at the front desk's poor attitude. Whether or not your club takes on a style of softness or hardness, you want to enjoy the company of the people around you or at least not be annoyed by it.

Good Looking Staff - I may take some heat for this one, but I think it's important. I'm

not talking about supermodel faces where only the beautiful people are employed. NO! I'm talking about hiring people who look the part, who your members feel inspired by being around. Your club members notice the people on the floor, just like we all notice the dentist with bad teeth. Whatever industry you work in, you also work to 'fit' into it, too (pun intended).

The Extras - I'm going to use CPTs (Certified Personal Trainers) as my focus on 'extras.' Naturally, given my profession, I think it is a must to employ certified trainers. Technically, you don't have an official 'health and fitness club' without people on staff who know what they're doing with regard to training properly. It just wouldn't make sense to have a training facility without the integral role of an actual trainer. Even if this is a resource that is only used by a smaller part of your member base, it can still be an expectation of your larger member base. Also, note that over half of clubs offering personal training services report this as being one of their most profitable offerings. When your members use trainers, even if it's 10% of your club members, it can still account for a large percentage of non-dues revenue. Also, though difficult to measure exactly, but certain, is the idea that members who come to your club may not come if they don't have the resource of a trainer available to them, even if they're not paying for the added service.

• • •

Presumably, part of being human is that, many times, we do judge a book by its cover... even when we don't want to. We can, and should, be purposeful in our intent to correct that behavior, but deep down, it's there. Don't overlook your club's 'cover.' Whatever the image that your facility works to portray, be purposeful with it,



Angie Pattengale

because its value to potential members is arguably based on what the eye tells them they see: *value*. Our sensitivity to perception is solidified when actual or even perceived value occurs, making it more likely that a member will commit long term. We're a people of high expectations, we'll expect that the club we pay our hard earned dollars to will give us 'the goods,' whether or not some of us can take them or leave them, the very idea that they're there reassures me that I'm a member of worth in a full service facility, a good reason to sign the contract.

(Angie Pattengale has a BS in Business Management with a minor in Human Resources from Purdue University's Krannert School of Management. She has worked with NFPT since 1992 with major organizational accomplishments that include the coordination of NCCA accreditation activities and the American Council on Education college credit award program. Mrs. Pattengale is the NFPT Director of Certification and acting supervisor of certification business functions.)

...Melissa Knowles

continued from page 22

weigh all factors when determining whether a worker is an employee or independent contractor. Some factors may indicate that the worker is an employee, while other factors indicate that the worker is an independent contractor. There is no 'magic' or set number of factors that 'makes' the worker an employee or an independent contract, and no one factor stands alone in making this determination. Also, factors which are relevant in one situation may not be relevant in another." Clear as mud, right?

The simple answer. A duck.

After going through a full review of what the person does and how they do it, you still may be left scratching your head. Here's a simple way to approach the issue: If it walks like a duck and quacks like a duck, it's a duck. Or, in this instance, if the position requires the person to be directed as to how, when, where and with what to do the job, you have yourself an employee. Fill out that W4 and file those taxes!

(Melissa Knowles is CEO of Atlanta-area based GymHQ and can be reached at mknowles@gymhq.club. Visit www.gymhq.com)

How a Death Sentence Saved My Life and Super-Charged My Club!

By: Donna Krech

It was a little over a year ago, but it feels like only yesterday; I found myself facing death. I'll never forget my son and daughter sitting with me as I told them how my doctor said, "*Donna, you are in the worst stage you can be in. The next stage is death!*"

I didn't tell anyone outside my immediate family... probably because I didn't want to claim those words.

This was truly a dark and unfamiliar place for me. I was so weak I literally could not use a hand can opener. I was so exhausted I could barely lift my head. The pain that ran through my body was indescribable.

But, it went far beyond just the physical; I missed all of the things that matter to me! I had to say, "No," to family time; "I can't help," to events where help was asked of me; and, "I have to stay home" to travel and places I longed to be. I vividly remember crying over how I was missing 'my life.

All sorts of questions run through your mind at a time like this. I found myself asking:

- Is this it?
- Am I really dying?
- Are these all the years I get in this world?
- Have I made these years count?

As tears ran down my cheeks, my body felt like I was 96 years old, and my spirit felt heaviness I want no one to experience, ever! I felt beaten. It was a state of illness and depression that I can't find words to explain.

Somehow, in this darkness, I found my light. I sat up and said, "No!!! God is not done with this girl yet!" *Feeling* beaten and *being* beaten are not the same thing, and I decided my best years were still ahead of me.

Things would actually get worse before they got better, but I had hope... and a plan.

What was my plan?

I'm glad you asked. For starters, looking at what was going on with me as a disease was not serving me. My initial visits to the doctors got me poked and prodded, scoped, x-rayed and scanned every which way till Sunday. The conclusion? First, it was Epstein Barr. Then it was some auto-immune disorder (lupus, fibro, hypothyroid...you know the drill). Nothing that yielded any remedy. So, I stepped back and did what I've always done...

Believing there is always a solution, I took charge and organized a team of experts and specialists to look at the problem from a different perspective. Rather than looking at it from a why I was sick view, we looked at it as what needed to be going on for me to be healthy. It is a subtle distinction, I know, but it makes ALL the difference.

I've been in the health and wellness game a long time, and if you are anything like me, you already know the value of eating right, sleeping, getting stress under control, exercise, etc. If you just do these things correctly, everything will be okay, right? Well, that's what I thought, but what came out of the work with my team is that there is an order and a hierarchy or structure, that when followed, produces better results than just combining all of the individual components. Think of it as a $1 + 1 = 3$ kind of thing.

My results?

Well, the program based on this insight restored my health and brought me back better than I was before. The pain was gone, my energy was through the roof, my workouts were awesome, I was keeping

my ideal weight virtually without effort and I was feeling like 100 million bucks (adjusted for inflation, of course!). But, the icing on the cake was the last time I went to see my doctor. She could not believe the results of my tests; they were better than my previous best! I cried again... but, this time, they were tears of joy!

People noticed I was *alive* again and asked me what I was doing. I'd share, and they'd ask me for the complete details of everything I did. So, I sat down with my team and created a program that could be used for anyone and rolled it out to my circle.

Their results?

How about:

- Rapid and safe weight loss;
- Improved health markers (their doctor can test them before, then four weeks later and actually tell them they are healthier);
- Better sleep;
- Better digestion;
- Less stress (a feeling of calm);
- More energy;
- More strength and endurance.

What do you do when you get these kinds of results? You scale your tests to a larger population (more people, more clubs, etc.). Every club was reporting back that this was working better and faster than anything they had ever tried before!

To say I was blown away by this outcome would be an understatement... however, there was more! Not only were the members in this program seeing phenomenal improvements, locations promoting the program were seeing dramatic jumps in revenue.

Well, you didn't have to kick me in the head to see we had something very special here. The obvious thing is that faster and more consistent results increase



Donna Krech

compliance, which in turn, drives more sales, increases referrals and raises revenue numbers across the board.

Where things get really interesting is when you apply the same methodology to your business. It makes subtle shifts to your marketing, sales, service, operations and leadership that produce leaps in income. *It's that 1 + 1 = 3 thing again!*

This has literally changed the way I do business. And, it isn't just me; anyone who follows this protocol is finding that sales occur more easily and automatically set up future sales. It is really something you need to experience!

That said, there's too much information to cover in a single article, but I'd love to be able to give you the full scoop. If you'd like to receive an audio of my full "back to life" story and a first-hand account of a club owner who tested my protocol, please give us a call at (866) 260 - 8446 and ask for Colby.

(Donna Krech is the Founder and owner of Thin&Healthy Total Solutions, and she can be reached at by phone at 419-991-1223 or email at Donna@DonnaKrech.com.)

...Jim Thomas

continued from page 6

focused on creating interest and desire with your audience. Share success stories or offer coaching tips; something motivational or inspirational will work.

2. I'm just too busy. It will all come down to where the greater pain is... taking the time to do this and creating more guest traffic or not doing it and finding your gym business going backwards each month. *This must be the priority.*

3. I'm not a very good writer. You don't have to be. Write like you talk. Keep it simple. Solve problems for your readers. You'll improve as you go along. Your blogs and articles can be as short as 300

words. For example, this article has about 750 words.

Why Inconsistency is a Bad Thing.

It's easy to think that, if you miss a weekly newsletter or daily video post, that it's no big deal. But, when you publish a weekly newsletter or regular videos, it's making a promise to your members (and to yourself). When you miss that connection, it breaks your promise and weakens your relationships.

When you communicate consistently with your members and other readers, it builds a trust, a rapport and a connection. They look forward to seeing your posts arriving into their inbox. Don't let them down. Also, inconsistency can lead to your members and prospects to

forgetting about you (obscurity).

Get help from an industry professional.

If your gym is growing so fast that you don't have time to handle all the marketing yourself, or even if you do have time to handle your own marketing, outsourcing it can free up time for you to spend on other profit-generating activities. Plus, an industry expert who specializes in social media, blogging and copywriting, etc. can often help produce better results in less time.

Imagine how your gym would grow if the door was swinging, the phone was ringing and the email was dinging. Make the commitment today and watch it grow. Overcome obscurity.

Now, go attract attention to your gym! Make marketing your gym a top priority.

(Jim Thomas is the Founder and President of Fitness Management USA Inc., a management consulting, turnaround and brokerage firm specializing in the fitness and health club 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 overcome obscurity, improve sales, build teamwork and market fitness programs and products. Visit his website at www.fmconsulting.net or www.jimthomasondemand.com.)

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*this statement is based on these clubs; results will vary

The Best Uses of the SBA Loan Types

By: Paul Bosley

Business owners have a time-sensitive incentive to secure long-term financing because interest rates are near an all-time low, and it is predicted that rates will slowly rise over time. The Small Business Administration (SBA), a division of the Federal Government, guarantees a percentage of all SBA loans to reduce the lender's risk to the portion of the SBA loan that the SBA does not guarantee. The SBA assumes between 75% up to 90% of the SBA loan obligation, which varies depending upon the SBA loan type. Since most banks are risk adverse in the current business environment, this characteristic of SBA loans is extremely important. Since SBA loans spread the loan risk between the lender and the SBA, the chances of receiving a loan approval is significantly improved when compared to a traditional bank loan.

Four Common Uses of SBA Loan Programs

The four common uses of the SBA loan programs identified below vary significantly based upon the specific circumstances of the business owner(s):

1. Refinance Existing Business Debt

Many existing club owners have equipment leases, which are being repaid over terms ranging from 3 - 5 years. SBA 7(a) loans that do not involve the purchase or refinancing of real estate offer repayment terms ranging from 7 - 10 years. Interest rates start by using the prime lending rate as published in the Wall Street Journal (currently 3.5%) as a baseline rate. The lender then assigns a risk premium to be charged over the prime rate, which varies based upon the strength of the borrower(s). A typical risk premium is 2.75%; consequently a 6.25% interest rate is a common rate, which is near an historic low! Existing debt can be refinanced as long as the new loan's monthly payment is at least 10% less than the monthly payment(s) of the debt being refinanced. Very often, the monthly payment savings significantly improves the business' cash flow once the refinancing is completed. The reduced monthly payment will improve cash flow, and it allows the club owner to invest in their business, maintain the equipment, hire staff, increase marketing and provide a buffer if a new competitor opens in their immediate area.

2. Purchase or Refinancing a Commercial Building

Club owners who own their real estate often have mortgages originated

by their local bank, which often have balloon payments at the end of a 7 - 10-year term. When an SBA 504 and 7(a) loan is used to finance or refinance real estate, the repayment term is fully amortizing over a 20 - 25-year term. Unlike many commercial real estate loans, SBA loans are fully amortized and do not have balloon payments. One main benefit of using SBA to finance a project is leverage. Traditional commercial mortgage underwriting will provide for 75 - 80% financing assuming the borrower is deemed 'bankable.' Under the SBA programs, a borrower can finance 90% of the entire project. This reduced down payment requirement often can make a transaction possible for the borrower.

If the club owner does not own their real estate and is leasing space, using an SBA loan to purchase a location provides stability and future equity to the business owner. The business must occupy 51% of the space, so the option of purchasing a larger building than the club needs is an option. This expands the real estate options available and offers an opportunity for the club owner to rent out the existing space to a symbiotic business, such as a nursery or a health food store.

3. Access Working Capital for Your New or Existing Club

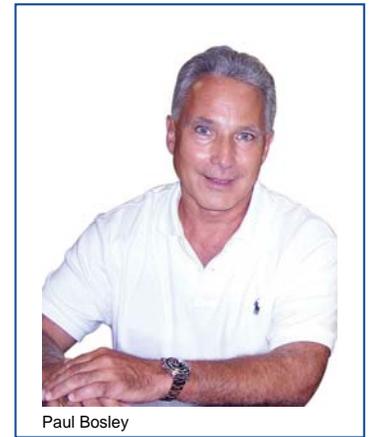
Most small businesses need working capital; however, many owners are unable to obtain this type of financing because their business is too small or it lacks the necessary collateral. The SBA Express Loan Program is a relatively new program designed so that the collateral for the loan is the business assets. The

intended use of funds is nearly unlimited; however, the business must be open with a certificate of occupancy to insure that the funds are not used for construction. The SBA Express loan program was designed to provide working capital to operating businesses especially in the critical early years. The SBA announced a temporary waiver of their guarantee fee on all SBA loans of \$150,000 or less to assist small business' access to capital to help sustain and grow their business.

Since this loan program is designed to provide working capital, it is symbiotic with an equipment lease so new business owners can access capital to finance their fitness and non-fitness equipment using an equipment lease. In addition, the new club owner can assess working capital once upon using the SBA Express Loan.

4. Finance a New Business Venture or A Major Expansion

The SBA 7(a) program is designed to provide financing for 70 - 85% of a major business venture. The typical loan amount will be no less than \$350K, and as the table on **This Page** shows, can range up to \$5M. First, the total cost of the project from inception to the point when the business is profitable is quantified. All costs, including, but not limited to, equipment, lease deposits, buildout, working capital, franchise fees and contingency allowance must be included. The borrower(s) are responsible to contribute the 15 - 30% portion of the project cost to the business from funds that were NOT borrowed, such as a home equity loan. This loan type



Paul Bosley

requires additional collateral up to the loan amount provided by the borrower(s). The collateral can include the business assets, such as the fitness equipment, personal real estate and/or marketable securities. This SBA loan is secured both by the additional collateral and by the SBA guarantee, which enhances the chance that the loan application will be approved, even in the case that the business is a start-up with no previous track record.

SBA Loan Types

The variety of SBA loan programs is an important element, explaining the success of the SBA to meet the various needs of business owners. The following graph provides an overview of the main SBA programs available to all fitness centers located in the United States.

(See Paul Bosley Page 27)

	SBA 504 Loan Program	SBA 7(a) Business Loan Program	SBA Express Loan Program
Use of Funds:	To purchase or construct owner-user commercial real estate	Business acquisition, startup, equipment, debt refinance, working capital, inventory, tenant improvement, partner buyout	Startup, equipment, debt refinance, working capital and inventory
Loan Types:	Term loans	Term loans	Term loans
Loan Amount:	Up to \$10 million	Up to \$5 million	\$20,000 to \$150,000
Interest Rate:	Adjustable and fixed rates are available	Adjustable based on WSJ Prime Rate	Adjustable based on WSJ Prime Rate
Term:	Real Estate: *Lender Loan: Typically 25 years *CDC Loan: Typically 20 years Equipment: 10 years	10 years - Debt Refinance, Business acquisition, equipment, tenant improvement; 7 years -Working capital & inventory 25 years - Real Estate	10 years
Amortization:	*Typically 25 years on 1st position *20 years on the long-term (CDC) portion	Fully amortized, no balloon payments	Fully amortized, no balloon payments
Prepayment Penalty:	Prepayment applies	Prepayment applies	None
Collateral:	*SBA Bank Loan - 1st mortgage on property being refinanced *CDC Loan - 2nd mortgage on business real estate	Personal real estate and/or marketable securities	All business assets
LTV/Advance Rates:	LTV: Up to 90%	Advance Rate: 75% - Startup 85% - Business acquisition; 90% - Equipment; 100% - Debt refinance, inventory, working capital, partner buyout	Advance Rate: 75% - Business acquisition, start-up, partner buyout; 90% - Equipment; 100% - Debt refinance, working capital inventory



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...Paul Bosley
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Conclusion

SBA loans have been a consistent source of financing for the fitness industry even throughout our recent financial crisis. Since 1981, the SBA reports the "Fitness and Recreation Sports Centers" category as funding \$44,267,100 in loan volume. The following table reports the 2014 SBA total loan volume over \$16M for the fitness industry, a significant increase over the previous years! "The SBA's loan guarantee program continues to be an important source of funding for the fitness industry... As the economy continues to rebound and people focus more on their health and wellbeing, we expect the trend to progress upward," said Francisco "Pancho" A. Marrero, SBA South Florida District Director.

Year | Amount | # of Loans

2011	\$5,133,000	14
2012	\$5,154,000	10
2013	\$10,896,300	24
2014	\$16,017,200	26

Since SBA loans have a proven track record for providing funding to the fitness industry, it is only logical that SBA loans will continue to be a key source of funding to the fitness industry for years to come.

(Paul Bosley has worked in the fitness industry for 42 years. For 30 years, Paul was an owner operator of fitness center chains including Holiday Health, Gold's Gyms and Q The Sports Clubs. Paul launched Healthclubexperts.com twelve years ago, and it specializes in providing financing to new and existing business owners. Paul is working on his Master's Degree in Accountancy with a concentration in Business Valuation at Florida Atlantic University. Paul has also served as a volunteer SCORE Counselor, a Division of the Small Business Administration, designed to counsel new business owners nationwide. Paul can be reached at paul@businessfinancedepot.com)

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- Mary Lynch, Cedardale Health and Fitness, Haverhill, Massachusetts USA

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Programming For The “Fun Of It!”

Step 1 of 7 to Becoming a Programming Professional

By: Laurie Cingle, M.Ed.

Find Program Prospects

A programming professional is a person who is an expert at the skills required to implement and fill programs. What does it take to become a programming professional in your facility? There are seven steps or skills: (1) Find program prospects, (2) Invite them to learn about and understand your program, (3) Present the program, (4) Follow up with program prospects, (5) Enroll them in the program, (6) Ensure success in the program and (7) Grow programs by promoting events and additional programs. Let's focus on **Step #1: Find Program Prospects.**

Find Program

Finding people to talk to about the program is one of the core skills of a professional. Start with a written list of all categories of people to target. Here are a few categories to get you started:

- New members; •Ex-members; •Group exercise participants; •Personal training clients; •Women over 50; •School teachers; •Physical therapy patients; •Past program participants; •People who use a fitness tracker; •People who have body fat percent over xx%; •People who have children between 8 and 11 years old; •People who exercise after 5:00PM; •People who eat in your restaurant.

Make a focused commitment to never stop adding to the list. Create an Active Candidate list:

A) Make your list comprehensive - Include every person you can think of whether you think they are a candidate for your program or not. Your database will be one of your most important assets. Everyone goes on the list.

B) Six degrees of separation - Look at your list and think about the people they know, the 2nd degree of separation. Chances are you'll know them, too. Think of your team, your clients and all the relationships in your work life: who do they know? Add them to your list. Don't worry about what you're going to do with the list yet. Just keep building it.

C) Constantly expand your list - This is why it is called Active Candidate list. It never stops growing. Professionals have a goal to add at least two people to the list every day. They may not prospect them for a program, but they go on the list. Find a creative way to stay in touch.

D) Network on purpose - It's hard to meet new people if you're hiding in your office. Get out onto the fitness floor. Have some



Laurie Cingle

fun. Find places and organizations outside of the center where you can meet new people. (Laurie Cingle, M.Ed., is a fitness business success coach, club consultant and a member of the Leadership Team at Cleveland Clinic Akron General LifeStyles. Her specialties include creating successful club program champions through coaching, developing and operating non-dues revenue profit centers, establishing club market differentiation and designing programs that result in profit and retention. Contact her at laurie@lauriecingle.com.)

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Thanks and Appreciation

At CLUB INSIDER, we are excited to be in our 23rd Year of this home-based health and fitness club trade newspaper! The thought that this newspaper 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 23-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 8 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 266 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 15 years of continuous advertising with us. Plus, we have one advertiser, National Gym Supply, with over 21 years 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 hundreds and hundreds 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 23 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 eight cover stories per 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. 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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