

Norm Cates' CLUB INSIDERTM

The Pulse of the Health and Fitness Club Industry



The Club Northwest Team (L to R) **Front Row:** Evan Oliver, Danny Botnik, Cassie Robinson, Judy Marval, Lara Cooke, Jesse Sallas. **Middle Row:** Holly Nelson, Patrick Palmer, Amanda Valle, Holly Knoll, Karen Bertrand, Denise Davis, Cheri Terhorst, Annette Draper, Scott Draper. **Back Row:** Amanda Nelson, Tim Maxwell, Caleb Thomas, Brian Miller, Mark Whiting.

Club Northwest

*For the **LOVE** of It*

MARCH 2017

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Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry

Club Northwest

For the LOVE of It

By: Justin Cates

The manifestation of love is a beautiful thing. It is sometimes one of those things that can be hard to explain, yet, you know exactly what it looks like when you see it. It creates a warmth inside. It can motivate. It can be a reason for doing something as well as the end result. When you experience it, you want to share it. Even if you don't have it, you can still give it to others. Love is the fuel of purpose to create something better.

At Club Northwest, love has become as powerful as currency. As a mission, love has created their higher purpose. That purpose has served to motivate and inspire. Over 20 years,

that has fueled growth of a facility that is not your typical health and fitness club offering. It has become something much more for the community of Grants Pass, Oregon.

Scott Draper, Founder and General Manager of Club Northwest, is the leader of this congregation of sorts. Through Club Northwest's Servitors, *Warrior Servants in Wellness*, the manifestation of love has become clear in many ways. So, I welcome you to read on as Scott eloquently discusses this emotion and its power to do good.

An Interview With Scott Draper, Founder General Manager of Club Northwest

CLUB INSIDER (C.I.) - Please tell our

readers a little bit about your background: Where were you born, and where did you grow up? Where did you go to school, and what did you study? And, did you play any sports?

Scott Draper (SD) - I was born in Grants Pass, Oregon and grew up here. I enjoyed many sports and consider myself an average athlete. Originally, I went to Idaho State University on a partial tennis scholarship. I chose Idaho State, because at the time, I thought I wanted to be a veterinarian, so I was in the pre-vet program there. I was there for less than a full year, so most of my education was elsewhere. I got my Bachelor's degree in Management and my MBA in Business

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Scott Draper

“Insider Speaks”

The Five Hardest Lessons You Will Ever Learn In The Fitness Business

By: Thomas Plummer

Hard lessons in life, and business, are usually the end result of someone denying the truth until the truth kicks their ass. We call these lessons, “hard,” because not grasping these ideas earlier in our careers, or life, cost us so much time and money doing everything, “the hard way.”

Small business owners are often forced to learn these lessons quickly when things go bad. You wake up someday with about \$10 left in your account and a letter from the landlord that you are going to get booted. All of a sudden, *you are now open to a few new ideas!* Waiting until the shoe

of doom is heading for your ass is just too late. These lessons are the core of so many business books and are always there for anyone to learn before the need to survive inspires you to learn now.

The Importance of One Single Sale

We get so busy being busy that we become too busy to make any money. Then, suddenly, we become really scared because the business isn't performing.

We show up every day. We coach every day. We look at the lack of new clients being added to the gym each month and blame the weather, the time of year, the

competition, our dog and the staff for that “almost, but not quite enough” new client numbers are being added each month.

If you want to change a struggling business, go sell just one new client: **just one**. Feel the power you have to change the course of things in your business reality. Selling a new client a membership to your gym is the physical act of recapturing the power you willingly gave up to control the business you own. There is power in creating revenue where none existed before you made it happen. We forget that we can sell our way out of any bad situation if we focus on the process of selling new clients

(See Thomas Plummer Page 6)



Thomas Plummer

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- Don't Go There: What Not to Ask During a Job Interview - **By:** Melissa Knowles
- The New World of Lighting for Health Clubs - **By:** Bruce Carter
- How to Minimize Your Potential Legal Exposure to Employment Disputes - **By:** Paul R. Bedard, Esquire
- Is Your Organization's Culture Independent or Integrated? - **By:** Karen Woodard-Chavez
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- And, of Course, **Norm's Notes**

Norm's Notes

•Hello Everybody! This is your CLUB INSIDER Publisher and Tribal Leader Since 1993 checking in with our 279th monthly edition of CLUB INSIDER!

•Hmm. Hmm. Hmm! Is our America a GREAT COUNTRY, or what?

•YAHOO! As I write this, I'm on a jet flying home to Atlanta from Los Angeles after having enjoyed the 36th Annual IHRSA Convention and Trade Show. WOW! What an event! Congratulations to JOE MOORE and Team IHRSA, as they once again out did themselves with an educational conference and trade show that was terrific! First, let me congratulate DEREK GALLUP, Senior Vice President of Fitness and Retail of MARK MASTROV's New Evolution Ventures, as Derek was elected Chairman of the IHRSA Board for the coming year. CONGRATULATIONS DEREK! Congratulations also to IHRSA's new Board Members elected in Los Angeles: BRAD WILKINS, Cooper Aerobics, Dallas, Texas; ALAN LEACH, WESTWOOD CLUBS, Ireland; CARRIE KEPPEL, New Market, New Zealand; and BRYAN O'ROURKE, Gold's Gym. Let me also extend congratulations to the 2017 IHRSA Award Winners:

•The Woman Leader Award winner was ELLEN LATHAM, MS.

•The Associate Member of the Year Award was presented to TRX Founder,

RANDY HETRICK.

•The Outstanding Community Service Award was presented to FITNESS SF's President, ZSOLT JACKOVICS.

Last, but not least, I want to express our sincere Thanks and Appreciation to the three outgoing IHRSA Board Members: ALLISON FLATLEY, BILL BECK and MOLLY KEMMER.

•For me... I must say that going to our Annual IHRSA Convention and Trade show is a lot like attending a high school or college reunion... seeing many long-time friends from around the world and catching up on fond memories from all 36 years of the IHRSA Annual Conventions and Trade Shows that I've been blessed to attend. I ran into many old friends from those amazing 36 IHRSA years of involvement, albeit in some cases, very briefly. But, brief or not, it was great to see: RICK CARO, BIG JOHN McCARTHY, RAYBOB AND SANDY GORDON, CASEY CONRAD, AUGIE and LYNNE NIETO, DOUG MILLER, LYLE and HOLLY SCHULER, BOB McCLENNAN, NESTOR FERNANDEZ, DR. GERRY FAUST, GALE LANDERS, JEFF RANDALL, RANDY IVEY, JENNIFER URMSTON, KEVIN STEELE, JOE CIRULLI, FAUSTO di GIULIO, JOHN QUATTROCCHI, STEVE STRICKLAND, GARY JONES, JAN RUBIN, RAY O'CONNOR, JEFF

STOKES, ROB RIDEOUT, BILL CROWLEY, RON POLISENO, CHRIS CLAWSON, DAVID PATCHEL-EVANS, ROBERT BREWSTER, DR. ART CURTIS, VICTOR and LYNNE BRICK, JIM WORTHINGTON and LINDA MITCHELL, BECCA STALLING, LIZA LUGO and for sure, many more that I don't recall at this moment.

•Congratulations to AUGIE and LYNNE NIETO, and to BIG JOHN McCARTHY, as the 2017 Augie's Bash set a new fundraising record for the event on Friday Night, March 10, 2017 when The Bash raised: \$3,487,863! Importantly, and congratulations and mega kudos to DAVID HARDY and his Orangetheory Team because of their organization's amazing feat of raising \$2,045,000 during their fundraiser that lasted only two weeks. The 12th Annual Augie's Quest Bash was a roaring success, and everyone who participated went away impressed and happy. Importantly, Augie's Quest has reached a milestone, as ALS TDI's research has produced AP-1501, which has actually slowed the progression of ALS in lab animals. Within a year, they are expecting to launch testing on humans that they believe will move the needle toward the CURE for ALS! Give what you can and STAY TUNED!

•I want to take just a moment here to say my very sincere Thanks and Appreciation



Norm Cates

to all of you whom I had the pleasure of encountering in Los Angeles who said such nice things to me about my son, who is also my partner in CLUB INSIDER, JUSTIN CATES, and praised Justin for the fine young fellow he's grown up to be. At age 32 now, many of you have known him since he was born in 1985 because he attended his first IRSO Convention when he was just six weeks old! Yes... it WAS IRSO back then before we added the "H" for Health back in 1994. But, know this, Justin Cates is a machine... I mean a machine. This young man is without a doubt one of the hardest working human beings I have ever known. And, another great part of it is his multitasking skills are growing rapidly with this rapidly changing

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About Club Insider

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24 Years and Counting!

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...Thomas Plummer

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and the need to keep the business fed.

Your gym business is a lot like a new baby. The new baby needs to be fed or it is miserable. Feed it regularly and the baby sleeps like a small child was meant to do. This does not mean that the new baby might not poop all over you, as all small businesses do to all owners at some time or another, but a constant stream of new clients keeps the gym fed and happy over time.

Selling one new membership is a statement: I can control the outcome of this business and I, as owner, have the power to fix this business. All I have to do is sell one membership and set my business free to grow.

Where To Start:

• Always start with the input phase of the business. Are there enough leads, and do I have a system in place to convert these leads? If you own a training-centric business, we are looking for a 70% conversion rate from trials (Trial memberships are the only tool used in this type of business. We use a 2-step process where we get a small amount to try and then a much larger amount to buy once the client knows the gym and is comfortable in the system), and we look for at least 60% in mainstream gyms.

• The only true control you have in any fitness business is your ability to generate new business, but we often spend too much time managing the business and not enough time creating new business. Did you create new revenue today in your business? If

the answer is no, then the world does not need another manager; the world needs producers. Do you have the right people, and are you the right person, to create fresh revenue daily? The only good employee is an effective employee, and you often have the wrong people in the wrong jobs when it comes to production.

The Big Fix: If you can't sell a client a membership, or if you can't train a client, then you should not own a fitness-related business no matter how big it is or how many units you own. If your business isn't producing the revenue you need, lock your office door, **get out on the floor** and make it happen. You can manage your business sitting in your underwear at 3AM, but if you are in the gym, your only question is, "Did I create fresh revenue today where none existed before?" If the answer is yes, you will probably save your business.

There is No Such Thing As Momentum

Momentum is the Easter Bunny of the gym business. Momentum is totally untrue and does not exist in the business, but believing in the Easter Bunny and magic eggs just makes us feel better.

We tell ourselves we have momentum in January, and we hope it lasts until the end of May. We then tell ourselves that, in most markets, summers are slow, so we let ourselves believe that we shouldn't expect to do much business in those lagging summer months; therefore, we don't ever do much business.

Momentum is a self-fulfilling prophecy. We believe momentum is true and magically seems to work. We believe momentum has started to fade, and it goes away. We are then left with a flat month.

In fact, even the term, "momentum" is used incorrectly in most cases and is often confused with the word, "flow." Flow represents the natural ebbs and surges any small business has if that business is left alone to suffer the wild disparities in any business climate.

The problem with many of our businesses is we give away our power to control our business because we believe in a concept (momentum) that does not exist. In other words, there is always business, at any time of the year, in any gym anywhere, if we create that business and plan to create it in advance. Stated even more simply, we can take control of the flow of the business throughout the year by planning and investment.

Creating business where none existed before is the holy grail of any small business. But, it is also why so few small businesses last over time. Most owners who don't accept that they control their own fate in the small business world are held hostage by the vagaries of the local business climate until the business is taken away from them. These owners believe external forces magically control their revenue stream and that, if the stars align, or that old gym down the street closes, then life can be good again.

But, you do not have to live this way. You can create your own future by planning your income stream at least three months in advance. You can plan now to create your own momentum/flow every month, as long as you understand what you are chasing and how you are going to get it done.

For example, you might average 30 new trial clients a month during the early months of the year at an expense of \$2,000 a month spent on social media advertising. Knowing this, you can plan to change the promotion starting in May for the summer and increase your spend to \$3,000 for the months we assume to be slower. We could also change our programming for the summer adding some type of race training camp, special events, summer client guest privileges, etc., to increase cash flow and traffic.

You get what you create in this business. You can create flow that lasts year-round... if you learn how to manipulate your leads and cash flow by planning for the creation of flow so many months in advance. If you wait to see what happens and hope the months will be good, then you will live by the flow and you will die by the flow.

Where To Start:

• The last week is the most important week of the month. First of all, we are trying to hit the projected numbers for the current month. Secondly, but most importantly, the last week of the month is where we sit down with our team and project every dollar and sale for the coming month and assign those to an individual. Remember, there is no production in any business

without accountability.

• You need to determine the cost per lead and cost per sale in your business. If, for example, I know that it costs me \$100 per new sale from social media marketing in March (which includes the cost per lead), I can add to my monthly budget as needed to increase my sales/lead potential in the months where I anticipate the natural flow of the business might slow down. If it did cost me \$3,000 a month in Facebook and Instagram marketing in March to generate 20 new clients, I might have to increase that budget to \$4,000 per month during the summer to generate the same number of sales.

The Big Fix: Waiting to see what the month will bring leads to very poor owners. You can create a steady flow of new business throughout the year by the use of planning and the manipulation of your marketing budget. Marketing is always one of those things done after all the other bills are paid, but solid owners understand that you are better to sell one or two of your kids and fire a few staff than ever cut the only thing that keeps your gym alive each month.

Cash Flow Can Be a Problem, Even For a Healthy Business

Even the healthiest of businesses can have cash flow problems. Shortage of present cash is usually not always an indication that the business is not healthy.

You can run a great business for years, but all of a sudden, you find yourself grasping for money to cover the payroll. In other words, *cash flow problems happen to good people who run good businesses*.

Most new gym businesses always have a cash flow problem during the first year because no owner on earth has ever had the discipline to keep enough reserve capital to cover expenses until the business gets healthy. Most training gyms will not cover their operating expenses until between the 6th to 9th month of operation; therefore, those owners will need about three months of reserve capital to cover all bills each month until the business can generate the income to cover its own monthly expense.

For example, if it takes about \$50,000 a month to pay all of your bills and cover all operating expenses, then you should have had about \$150,000 in reserve to cover operating losses until the gym reaches its breakeven point, which for a decent training gym is at about the 6- to 9-month period.

The owner who runs short of reserve can either panic and start lowering the price and running specials to make up the cash shortfall, or he can go back to the bank and investors and admit he overspent on build-out or never did really have enough cash to open (remember the theme of hard lessons). One way or the other, it is the very rare new gym that won't burn (See Thomas Plummer Page 7)

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three months of reserve one way or the other.

Mature businesses will also suffer from the occasional cash flow glitch. You reinvest in the gym, and then, a new competitor sets you back a few months. You have a bad hire that injures your business for a few months before you can remove him. You get sick, you get divorced, you just plan badly and spend the cash or just simply screwed it up and got caught without the reserves you needed that month. Bad cash flow happens to good businesses for a hundred reasons.

This takes us back to reserve capital. Even mature businesses need at least three months of reserves at all times. The gym business is an intense business, and no owner can hold it together year-after-year without blinking at least once. Death, divorce, distress, alcohol or drugs wreck havoc on us at one time or another, and if we take our eyes away from the business for even a few weeks, we can find ourselves with a good business that is short of cash.

Where To Start:

- The tough times never last, but neither do the good times. You will have dark days in any business where the business is strong but cash is weak. The biggest mistake we make is never understanding how big a dark run can be; therefore, we never put enough cash to cover our bad patch. Gym owners simply refuse to have enough in reserve because there is always a better place to spend it each month.

- We also make a mistake by constantly adding new things to the gym each month instead of working off a yearly budget that allocates the money we can afford to spend to keep the gym fresh and sustainable. You have to reinvest, but this reinvestment has to be part of an overall budget.

- We also fail to plan for infrastructure failure. Hot water heaters die. Plumbing fails. Roofs leak. Doors get kicked in. There will never be a month in your life that doesn't require you to fix something that makes you no money and not a single client will ever see or appreciate.

The Big Fix (in this order):

- Keep a minimum in your checking account you refuse to go under unless the building is falling down around you. Weirdly, there is a formula for this; keep a dollar per square foot of the size of your gym with a minimum of \$10,000. In this example, if you had a 15,000 square-foot gym, you would keep \$15,000 in the checking account. Yes, it is weird, but it works, and no, there is no ceiling based on size of gym.

- During the next 12 months, build up at least two months of reserve capital. Take your time and build it monthly, but get there.

- Budget \$150 per 1,000 square feet (minimum of a \$1,000) for capital improvement. Move this money to an accrual savings account each month if you don't need to spend it that month.

- Budget \$150 per 1,000 square feet (minimum of a \$1,000) for repair and maintenance. Move this to the accrual savings if not used that month. You will need the money at some point, so save it now, each month.

Growth Versus Protecting What We Already Have

It is human nature to protect what we own. We find the right cave, by the right stream, with some food nearby, and then, we become willing to die to protect what we now own... and human nature hasn't changed much since then, especially in small business.

Over time, we create infrastructure that protects what we have built in our business. We hire enough sales people to make sure we can get the same sales we have done in the past. We hire just enough coaches to make sure we can cover all the current client needs. We buy just enough equipment this year to replace what we had that wore out and to give the clients one or two more toys. And, all of this kills your business. If you own a small business, if it isn't growing by 5% per year, then it is dying. The cost of everything in business goes up every year, and if you are not growing by at least that 5% rate, then you are dying because you are losing ground.

If you want to survive, you have to build an infrastructure designed for growth, something most owners avoid because building for growth means you have to incur a slight risk in the business. The mistake so many make is that they wait for the business to generate enough revenue to pay for growth, instead of taking some financial risk and creating a structure that will allow that growth to take place.

Do you have the staff you need to grow your business by 5% or more this year? Do you have the right physical plant, positioned for today's client and today's market, which allows you to attract the new clients your business needs to be sustainable into the future? Do you have the right credit lines, reserve capital and lease and bank needs that position your business to stay out front instead of constantly chasing everyone else in the market?

Programming your business for growth goes against most of the basic human instincts. We get to the point where we are fat and happy, then we shift into protection mode and concentrate everything we have to make sure what

we have doesn't disappear. The lesson is learning to build for growth and to live with the small risk this strategy entails over time.

Where To Start: Question everything you do. Do you spend just enough on marketing to bring in just enough sales to pay the bills? Do you hire just enough coaches to just barely cover the training you are currently doing? Do you have anyone whose only job is the creation of new leads each month beyond your normal numbers? Are you mastering new marketing, such as social media, or are you stuck doing it the same way you have done it for the last ten

years? Do you budget for the next year by just adding about 3% instead of planning for bigger growth? All these questions point to a business stuck in its own reality, unable to grow beyond its own limits.

The Big Fix: The fix is easy. Ask yourself every day if you are trying to grow this business or are working very hard to protect what you have... At least 90% of you spend your entire year fighting to keep what you have, leaving the other 10% actively engaged in taking over their market. Plan for growth. Plan for at least 5% growth each year and then create the infrastructure

(See Thomas Plummer Page 8)



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it will take to achieve that growth. In this business, if you aren't growing, then you are dying; there is no middle ground.

What Got You Here Is What Stops You From Being Any Better (The Concept Dies)

What made you good is what is keeping you from being better.

Over time, we create threads in our business. We learn how to make money; we hire staff that often stays with

us over time; and we create a business that is right for the time and market.

But, through the years, the threads that tie us to our past are what prevents us from growing to another level. We learned to make money 20 years ago and think the same price specials and sales techniques still work. The staff we praise for their longevity now fights every new idea because we have always done it this way, and sure as hell, aren't going to change now. We created the perfect business for 1995, but now, it is 2017. What made us so good over the years simply no longer works.

The hard lesson to learn is

to blow your business completely off its foundation every 3 - 5 years and challenge everything you think you know about making money. What got you there is not what will get you there, and you need to question the roadblocks that exist that stifle your growth and sustainability into the future.

At the core of this challenge to your own business is questioning your concept, which means: **Has the product you offer gone out of style and is it no longer what the consumer wants to buy?**

The mainstream fitness world is in shambles, but there are still new gyms opening up that are nothing more than replicas of a 25,000 square-foot box from the '90s built around a sea of cardio, a giant floor with too much single plane equipment, a small functional room in the back and old school aerobics rooms in the corners. Everything is new and fresh, but everything is textbook out of date from the last century.

We continue to open brand new museums to the history of the fitness industry. Most mainstream owners aren't certified trainers, have never worked out a single client, or at least in the last 20 years, view trainers as just another expendable frontline employee and who still believe that the right combination of "the way we did it when it worked" will work once again. **This is wrong thinking.**

Every service business has to evolve. You have to let go of how we made money and embrace how we will make money in the future. The future belongs to training-centric businesses where it is all about results with lesser emphasis on merely renting equipment for a monthly fee.

The consumer has evolved. The culture has evolved. How we train people to get results, and the tools we use, has evolved. Everything has evolved except the mainstream gym business that still believes in circuits and 120 group classes on a schedule.

Where To Start:

- Get out of your shoebox of life. Stop talking to the same owners over and over again discussing the same old solutions that no longer work. Stop attending the same old tradeshows every year. Stop believing that the staff that has been with you so long can stay productive for so many years. Stop building the same old gym over and over again every five years. Realize that your old marketing isn't working, that you can't successfully farm out social media in a fitness business and that training the client has replaced merely renting equipment for a monthly fee.

- Ask yourself and your team this: *If we started today without any history, would we still run this business just like we do now, or would we change stuff?*

The Big Fix: If you are an owner with over five years of experience, learn the business

as it is today, not as it was so many years ago. It does not matter how many gyms you own, nor how big your gyms are, it only matters that you understand the fitness world has changed more in the last three years than it has in the last thirty. **Try some of these fixes:**

- It doesn't matter how far removed you are from your business; get a personal trainer certification. It doesn't matter if you will ever use it, but it does matter that you begin to understand how we make money in any gym of any size these days. Start with either Mike Boyle's Certified Functional Strength coach program or ACE.

- Attend a Perform Better Summit and actually participate. Attend the lectures, meet the gurus in that industry and try a few hands-on workouts with the pros.

- Visit other gyms that are successful in the training world and ask why we don't understand what they do? You will find that business during the next decade won't be about programming; it will be about the coaching experience, something the chains have refused to believe since the early CrossFit gyms stole all their clients.

- Get trained by your own trainers. If that scares you, you now know where to start when you rebuild your own place.

- Judge each employee by effectiveness, not longevity. The employee either produces or leaves, and yes, it is that simple.

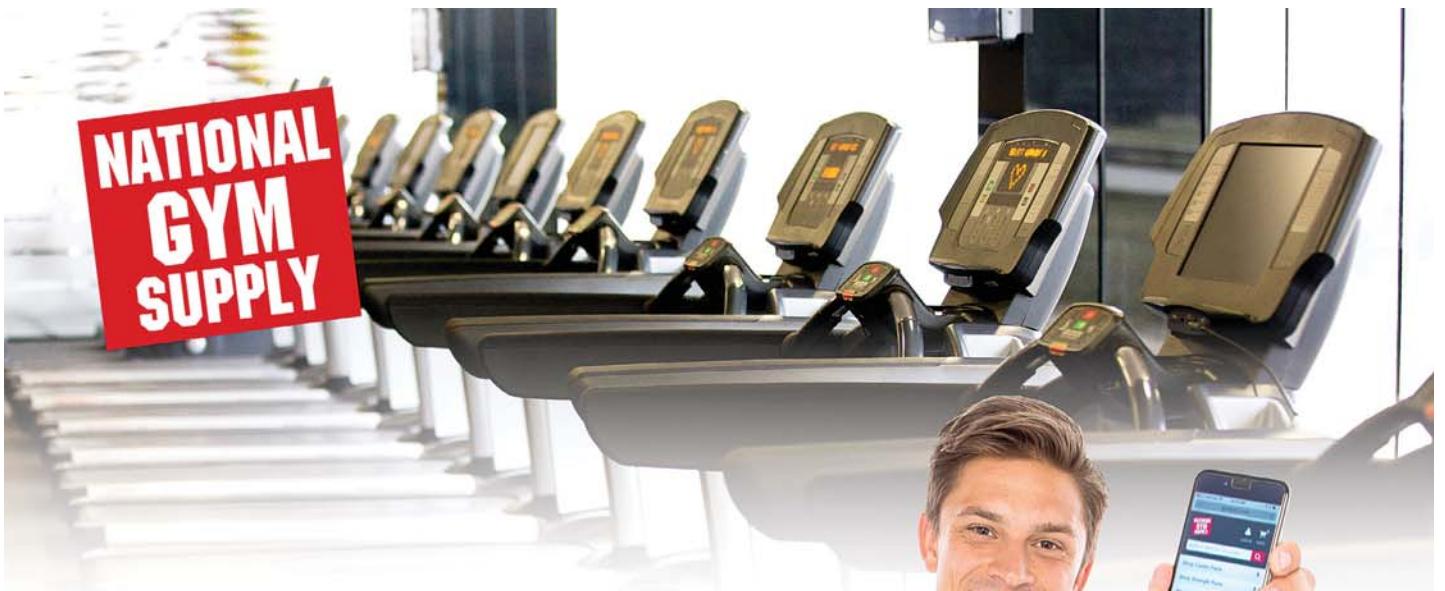
We Learn The Hard Lessons Too Late In Life

Experience is the best teacher, but we shouldn't have to get our collective asses whooped to learn the lessons of life and business, yet we seem to accept this year-after-year.

The difference comes down to mindset. Are you reactive, which is about 90% of you, meaning you let the competitors dictate your business plan and you live by reacting to the negatives in life that force you to change, such as a major loss of business or divorce. Or, are you proactive, meaning you drive the market from the front anticipating change, living for success and learning the hard lessons now before they combine to take down your business?

The lessons are only as hard as you let them be. You can choose your own path in business everyday and you can embrace change that creates growth in every business.

(Thomas Plummer is one of the top gurus in the health and fitness club business world, and he often delivers messages to his clients, and to others he converses with, that they don't want to hear. But, his track record for results for his clients is excellent, and it has given him multiple decades of staying power. Thomas can be reached at thomasplummer@icloud.com)



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...Norm's Notes

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cyber-world we are all living in.

• Speaking about *Justin being one of the hardest working people I have ever known*, let me mention my **long-time friend, RICK CARO**, who is by far the hardest working guy I have ever known anywhere. I truly believe Rick has influenced Justin's work ethic. I know he has influenced mine. But, here we are... once again, **RICK CARO, our industry's best friend and hardest worker**, produced another very interesting and informative **21st Annual**

Financial Panel at IHRSA Los Angeles. **Caro is President of New York City-based Management Vision, Inc.** and was **Moderator** of the panel shown in the **Photo on This Page**, consisting of **MARC MAGLIACANO, Partner, L. CATTERTON; WILL COWAN, Senior Vice President, Jeffries LLC; ANDREW HIRSKORN, Principal, Eagle Merchant Partners; and STEVE TRICARICO, Managing Director, Jeffries LLC.** The session included a series of responses from the panelists to questions and topics posed by Caro. Then, to close the hour-and-a-half long Financial Panel Session, Caro opened the floor to questions from individuals who

stepped up to a microphone stationed in the middle of the room. The attendance, as always, was strong and I'd estimate it was in the range of 300.

• **#PassPHIT!!!** "What's that?" you may ask. Well, see the **Photo on This Page** depicting **LARRY CONNER, MEREDITH POPPLER, EDDIE TOCK, KEVIN McHUGH, PAT LAUS and STEVE CAPEZZONE**, who were attending IHRSA's Annual Industry Leadership Council (ILC) Meeting on March 9th at IHRSA Los Angeles. The primary topic for discussion was the newly **re-energized goal of passing PHIT, the Personal Health Investment Today Act**, which is U.S. federal legislation that, if passed, would make fitness expenses more affordable by allowing Americans to use pre-tax accounts to pay for fitness expenses like exercise equipment, youth sports fees and **HEALTH CLUB MEMBERSHIPS**. Also, on Page #29, check out the **Form**

that was distributed at the luncheon, and throughout the convention. **#PassPHIT is long past due as IHRSA's HELEN DURKIN, MEREDITH POPPLER and their IHRSA Team have been working on it for over ten years**. Now, more than ever, there's a very good chance that PHIT will finally be heading toward passage. **But, IHRSA needs your help!** Please check out Page #29 and help make this happen! **And folks... STAY TUNED!**

• **MARIO BRAVOMALO, DARON "Rocketman" ALLEN and AMY SIMPSON of Visual Fitness Planner** presented a very informative panel of four industry veterans who commented on **Visual Fitness Planner CEO, DARON ALLEN's** questions to a crowd of **250** or more. The panelists included: **BILL McBRIDE, President and CEO of Active Wellness and BMC3; DAVID PATCHEL-EVANS, Founder and Owner of GoodLife Fitness; KATE GOLDEN,**

(See Norm's Notes Page 12)

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Rick Caro's 21st Annual Financial Panel at IHRSA 2017 in Los Angeles



(L to R) Larry Conner, Meredith Poppler, Eddie Tock, Kevin McHugh, Pat Laus and Steve Capezzone

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...Norm's Notes

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PHR, Director of People and Fitness Operations, Newtown Athletic; and **JOEL TALLMAN**, President & CEO of MUV Brands, LLC. (See the **Photo on This Page**). During the discussion, a number of valuable informational nuggets came out, and the audience was solidly in their seats with interest to the very end.

• **KUDOS** to iGO Figure's MATT ZAGRODZKY and RANDY IVEY, as they also raised funds for Augie's Quest at their Booth. During the trade show, they invited folks to stop by and tell them a thing that makes their club great, and for each club operator who did so, iGO Figure donated \$20 to the Augie's Quest cause. Great job, guys!

• **Thanks and Appreciation to BILL McBRIDE and JILL STEVENS KINNEY** of Active Wellness for their terrific **CONNECTIONS PARTY**, an event that's always a well-done gathering of terrific people in our industry, and it's one in my view that you might suggest is an annual "Who's Who In The Health and Fitness Club Industry Party."

• **Speaking of great parties...** CLUB INSIDER's 25th Anniversary Celebration is going to be a lulu, and it will be held next March, 2018 at IHRSA San Diego at the 2018 IHRSA Convention. Plus, this October in Chicago, we will have a smaller "Warm-Up" 25th Anniversary Celebration at the Club Industry Show. I'm working on Chicago and our San Diego 25th Anniversary Party plans, and at this point, all I know for San Diego is that I want to stay at, or close to our convention hotel, and have the party on a spot that is directly overlooking the water. STAY TUNED!

• Be sure to check out and enjoy the **IHRSA 2017 Slideshow** by going to www.clubinsideronline.com/ihsra2017.

• You may recognize **BOB HARPER** as the fitness guru from the TV Show **The Biggest Loser**. There's recent **bad news** and **good news** about Harper. The **bad news** is... he had a heart attack about a month ago while working out in an unnamed New York City gym. The **good news** is he's reportedly recovering well. Bob told the **TMZ** in New York City that he was unconscious for two days after being stricken with a heart attack. Talk about good luck... Harper hit the jackpot because, not only was he lucky the gym had an AED, he was super lucky that, at the time of his heart attack, there was a doctor working out in the gym who almost immediately began using a defibrillator and performing CPR on Harper until help arrived. Harper spent eight days in the hospital, and at the time of this writing, should be back on the West Coast. It appears as though *heredity*



(L to R) Daron Allen, Bill McBride, David Patchel-Evans, Kate Golden and Joel Tallman

might be playing a big role in the fate of **BOB HARPER**... as heredity always does... as his Mom died from a heart attack. **Good luck to and God Bless BOB HARPER!**

• The content of some of this **Norm's Note** was written by **COURTNEY CAMERON**, Editorial Assistant of **Athletic Business Magazine**, and it was recently featured on one of their **Athletic Business iClubs emails**. I have been friends with **RON** and **SANDY FRANCO** for going on 30 years now, and I just want to extend my sincere condolences to them for what has happened at the hands of two of their long-time employees. Here's what Courtney Cameron reported:

"Two former employees of the Mandeville, Louisiana area Franco's Athletic Club were arrested on charges of racketeering, theft, identity theft and money laundering. Emily Davis, former Financial Director at Franco's, and Jennifer Thompson, former Human Resources Director, are accused of stealing upwards of \$1.7 million from the company between the years of 2008 and 2016, the North Shore district attorney told NOLA.com. According to prosecutors, Davis and Thompson are supposed to have taken more than \$1.4 million in cash for personal use, redirected more than \$165,000 in credit charges by means of fake accounts and deleted more than \$19,000 in

personal loans from Franco's 401K. It is also alleged that Davis, on two occasions, used a club owner's name to obtain large sums of money without authorization. Both women were fired from the club in 2016 and have been under investigation by the St. Tammany Parish Sheriff's office and the assistant district attorney."

Club owners Ron and Sandy Franco released a press statement confirming that they will cooperate as needed with the police investigation: *"It is most unfortunate that we have experienced a breach of trust from individuals who were part of Franco's for many years. In spite of the shock and disappointment that this experience has caused, we believe strongly that this was an isolated incident and will not allow it to deter our faith in humanity. Franco's has never been more committed to our employees, our members, and our community."* the statement reads.

• **ClubConnect and National Federation of Professional Trainers (NFPT)** have announced their joint effort to bring a foundational learning approach to personal trainer certification prep. Health clubs who use the ClubConnect educational platform (www.clubconnect.com) have the option to access NFPT's personal trainer education material and assessment demonstration videos for the purpose

of learning and growing in the personal training profession. Use of these materials also adds confidence to certification preparation with the opportunity to sit for the accredited national certification exam and achieve the NFPT-CPT credential. NFPT education material (www.nfpt.com/education) is designed for a comprehensive back-to-basics approach that reinforces goal-oriented training methods that get results safely and effectively, for the long-term. NFPT education is accessible and effective for the aspiring CPT, as well as existing CPTs who wish to expand on their knowledge base and credentialing.

• **World Gym International** has launched **World Gym Athletics**, a new ongoing education and training program for coaches with the goal to improve personal training and group exercise programs at gyms and studios. World Gym Athletics is available for all gyms and studios, not just World Gyms, and aims to help coaches, gym members and gym owners. World Gym Athletics helps members get more out of their gym experience by creating progressive individual and small group fitness programs.

• **JUSTIN and I want to say Thank You for reading CLUB INSIDER!**

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

*(Norm Cates, Jr. is a 40+ year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of **CLUB INSIDER**, now in its 24th year of publication. Cates was IHRSA's First President, and a Co-Founder with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. Cates may be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)*



See Page #29 to Learn How

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...Club Northwest

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Administration through distance learning at California Coast University. Now, I am the Founder, majority Owner and General Manager of Club Northwest.

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

SD - After a career as a tennis teaching professional, I came across the opportunity to buy a small racquetball club in my home town, Grants Pass, Oregon. After growing the club and leasing a second facility to add more fitness, we came upon an opportunity to purchase a larger building to consolidate our, then, 2,500 members into one building. We opened the doors of Club Northwest on February 10, 1997, so we recently celebrated our 20th anniversary.

C.I. - Congratulations! Please describe Club Northwest's physical plant, key amenities and service offerings.

SD - Club Northwest is a 59,000 square-foot indoor wellness mall. We have packed a lot into that 59,000 square feet and enjoy a relatively high income per square foot. Physically, Club Northwest is arranged so that approximately 1/3 of the indoor square footage at the front of the facility is open to the public. The other 2/3 of the indoor square footage is the actual athletic club.

Near the entry to the club, we have a large LED map that shows the footprint of the whole club. Again, it's one building, but it shows the 2/3 of the club that is private and the third that is open to the public, as well as members. Overall, we have a very Pacific Northwest style in the club. We call it Northwest Industrial Chic. It's a really industrial look with a lot of brick, metal, diamond plate, culverts and things like that. When nice furnishings and equipment are added, it creates a clean and fresh environment like the Pacific Northwest itself.

In the Athletic Club at Club

Northwest, we offer amenities and programming such as an aquatics center, multiple weight rooms and areas, women's only workout area, cardio theatre, multiple fitness areas, three group fitness studios currently offering a total of 120 classes per week, Pilates studio, full service locker rooms and many other offerings typical in a quality multi-purpose club. We also offer outdoor amenities including tennis, sand volleyball, a pavilion and other areas as part of the athletic club on the 5-acre property. Some of the unusual and unique offerings include the GryoGym NASA-inspired workout, Xtreme Climbing Wall and our new Area One, built around one of the largest Queenax rigs in the country.

The 1/3 of the facility that is open to the public, as well as members, allows folks to 'dip their toes in the water' in pay-per-use areas such as The Spa (full medi-spa with Medical Director and Tuscan ambiance), KidZone, The Juice Company, The Pro Shop and other offerings. Each of these areas is also run as a profit center, so not only do they serve as generators of indirect income through cross-sell opportunities to our membership, but each also creates a meaningful income and profit on their own. Overall, we consistently run at over 52% non-dues revenue.

Many years ago, in the McCarthy era, in fact, IHRSA called Club Northwest '...ahead of the curve.' I believe the primary reason for this is because we saw ourselves as a wellness offering as opposed to just a fitness offering. This may have simply been a matter of necessity, as we needed 5,000 members to break even in a town that, at the time we opened our doors, had just 25,000 total residents. I imagine that my biggest advantage in those early years was that I didn't know what I was doing. I did believe that intimidation was the biggest factor in the majority of people not joining a club. I believed, and still do, that the winning operator is the one who can take that intimidation away in a creative, attractive, esteem-building manner.

At Club Northwest, we believe eliminating intimidation starts with people. We create an environment in which each person on our team has the best opportunity to master the craft of serving others in wellness, where each person has the opportunity to be part of something bigger than themselves and where each person has the opportunity to find their own voice within our purpose. It seems to prove out that, if the team is well, then our members are well and they feel well-come. People *make* facilities, you know what I mean? When I was a tennis pro and worked with Landmark Land, I worked at some very nice resorts, and sometimes, it seemed that the focus was more on the facilities than the people. I had the same experience when I traveled and did special tennis events for Pepsico and others at some of the finest facilities in the world. It seems that this might be one of the challenges you have when you have a lot of money... the facility can become more important than the people. I think one of the advantages I had was that I didn't have a lot of money to get this started, so I had to rely on the people part of it. The people, eventually, are the ones, through their visions and efforts, who will create the great facilities anyway. It almost goes without saying, but I think that we sometimes forget that. We think that, if we build great facilities, we're good. The truth is, people can make great facilities, but great facilities can't make great people. Now, our facilities are beautiful, but those came about over many years of remodels and improvements, and it was really the people who created the environment that filled the place up. That led to cash flow that created the ability to build and upgrade the facilities. People power. It's our passion.

Key Market Differentiators

C.I. - Given the scope of Club Northwest's offerings, what would you consider your key market differentiators? Please discuss some of the elements of each that you feel creates this differentiation.

SD - Our most powerful differentiator is our highest mission: *Our member's and guest's experience of wellness here, now.* We build all people, processes and practices around that mission. Each of the 136 of us on our team consider ourselves 'Serriors,' (*warrior servants in wellness*), and we exist to witness, respect and celebrate the love and wellness that is each of us (each other, members, guests and members of our community) and all of us as one. Our bet is on the spirit of people, and we are all in. We have found that, when we focus

on the wellness of our Serriors, they simply and joyfully share that wellness with our members. Our passion is growing Serriors, and over the years, we have received a significant amount of recognition for that focus, including receiving the Innovation in Workplace Development Award from Southern Oregon Regional Economic Development, Incorporated and being selected by Oregon Business Magazine as one of the Top 100 Companies to Work for in Oregon. More importantly, our Serriors are a source of holistic wellness for thousands of individuals and families.

KidZone

One example of the manifestation of this mission is KidZone. We have KidZone Gym and KidZone Play Center with a total of about 14,000 square feet. It's all dedicated to kids and is one of the largest indoor play centers in the country. The equipment is from a former Discovery Zone MegaZone, but we have added more cerebral, emotional and social opportunities for our kids. I've done a lot of work with kids, and in my experience, maybe 10% want to be active all the time. Then, you have about 10% that never want to be that active. And, then, you have the 80% in between that sometimes want to be that active, but other times, they would rather read, get on a computer or play a game with other kids, whatever that might be. So, what we have done is take it to the next level. We have what Discovery Zone was as far as equipment, but again, we've added that people part, that social part and the ability to be cerebral, participating in other activities. KidZone is about the whole kid.

With KidZone and all the other areas in the public areas of Club Northwest, you can imagine the cross-sell opportunities that gives us. For example, let's say that Bob is bringing his 6-year old daughter into a gymnastics class. Geographically, we've separated the areas of the club that are private from the public areas, but we haven't separated them visually. So, when Bob brings in his daughter, he might walk by his buddy on a treadmill, even though that is in the private area of the club and he and his daughter are in the public area. So, once he gets his daughter checked in, he might come over and talk to his friend who is a member. Next thing you know, Bob is taking a tour, and during that tour, he hears that he's already paying \$10 per month towards his membership. He says, 'No, I'm not; I'm not a member.' The counselor lets him know, 'If your daughter, Suzie, was a member of the club on your family membership, you would be paying \$10 less per month for her gymnastics class than you are currently paying full price for.' That's just one example. You can imagine the ability to take intimidation away, let people stick their toes in the water and then eventually have them get involved with membership. Of course, it also works the

(See Club Northwest Page 16)



Northwest Industrial Chic





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...Club Northwest

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other way, with each of our profit centers having a built-in customer base of 9,600 members to serve in addition to the folks that their efforts and advertising bring in from outside of the membership.

The other side of the coin is that members now have all these areas that are convenient and top quality like the club itself. They are offered a credit line or card-on-file, so they are able to charge in these areas, from The Spa to the KidZone, classes and other activities. In KidZone, we also have something called the Workout Voucher Program, and it works like this: Let's say I am a member, and I have three kids. We have a family membership, so when Mom comes in the morning to work out, she brings the kids with her. Instead of paying \$7.95 per child per visit, she simply signs up for a Workout Voucher and gets a voucher from our Team Leaders once the kids are signed in and receive their color-coded safety band that signifies what area they will be in within the KidZone (little bitties, getting big, and bigs), and the kid's arm band matches the number of the parent's arm band so she is the only one who can pick them up. So, she has the voucher, and it is just like parking validation. There is a little timeclock when she checks into the Athletic Club, and she will have up to two hours to work out, go to the spa or whatever. She then punches out, takes the voucher back to KidZone, and it pays for the visits. Now, instead of paying \$24 for the three kids, she pays with a workout. So, you can imagine the psychology of that and how it works.

In the same family, maybe Dad comes home after work and is tired. The kids are bouncing off the walls saying they want to go to KidZone. Dad doesn't really want to, but he takes them. Now, is he going to want to pay \$24 or at least go pretend he is working out. And, you know how that goes... Getting in the club is the

hard part. Once you get in the club, there's so much to do, you see your friends, and before you know it, you're taking a class or at least doing something for your health and wellness. By the time you're done, the kids are happy, tired and ready to go to sleep. Hopefully, at this point, the member says, 'You guys are pretty smart at Club Northwest.' That's the ideal situation, and we do see that happen quite a bit.

The Gallery at Club Northwest

Another manifestation of our highest mission and our commitment to the wellness of all in the communities we serve is The Gallery at Club Northwest. The Gallery is one of the largest retail art galleries in southern Oregon, and each month, the work of a southern Oregon artist is displayed in The Gallery. Our members have the chance to see new and exciting artwork from some of the best artists in our thriving art community. The works are for sale. Like many things here, it came about because of necessity. We didn't have a quarter million dollars to buy artwork (laughing). So, we had all these walls and nothing on them. We came up with an idea that we thought had promise: We would allow a local artist to display in our gallery for a full month. We would make it a retail gallery so the artist would have the opportunity to sell their work. We would take a commission much lower than other galleries, and then, we would donate 100% of that commission to a local non-profit that helps children, through art, with learning and emotional disabilities. Even if a member didn't buy, they would get to see great, new works each month.

When we first started, one of our membership counselors who also happened to be a locally-connected artist, took on the coordination of The Gallery. It took her some time to get the first artist to sign on. There was this perception: '*Why would I put my beautiful works of art next to a sweaty arm pit?*' So, until we could get

those artists in the club to see that it was different than they might have imagined, we couldn't get anyone. Now, we have over a year-long waiting list for artists to come on the program. And, each year, one month is reserved for the children from the non-profit program to display their works. Another cool thing that happened, which we didn't even think about is that a bunch of artists joined the club. We didn't think of that because, in general, artists typically are not joiners. They joined to support us because we were supporting them. It's a story we are very proud of, and it's one of those ongoing things that has created its own life. It's fun to do something that, at first, you have to beg people to do, and eventually, it switches to the point where they are coming to you asking to do it. It's a pretty good indicator that you have figured out something that works. We try to create win-wins, but this one ended up being a win-win-win-win.

The BookWell and Green Team

C.I. - When researching for this interview, I also noticed a few unique initiatives at Club Northwest. Can you tell us about the BookWell and your Green Team?

SD - Our BookWell is a fun feature in our lobby/social area. The best way to describe it is a mini Barnes and Noble where members can grab a locally roasted, fair-trade coffee from The Juice Company and sit down and enjoy a book from a myriad of genres within the wellness realm. It has been a challenging area, though. When you do things that are outside the norm, they typically take a champion to make them work because people don't just automatically know how to do it. It's not known, so the BookWell has been one of those challenging areas. It's like our GyroGym or our Indoor Climbing Wall... When you have a champion for those, they just blow up. They are not familiar to lots of people, so if you don't have someone passionately driving the conversation, they can go stale. We don't currently have a champion for it, so The BookWell has been a little dull as of late. I say that because I don't want to paint the picture like this is all easy to do. Right now, it is still a nice venue, but we probably have half the titles that we should have in there right now. It's a retail book store, and we give our members a 10% discount so they can buy books. We don't sell a large amount of books a month, and it is really for that grab a book and a coffee feel. The primary reason for its existence is to expose our members to new ideas, new thoughts and

to be able to program around that.

We have many green initiatives that were started through our Green Team, a group of Serriors and members committed to the wellness of the planet. Some of our initiatives include a complete waste recycling system in the club; electric and bio-diesel club vehicles; one of the first commercial pools in Oregon to use a salt water system beginning when we opened; and use of natural cleaning, spa and other products. We receive over 20% of our electrical power from wind-generated sources, and we are currently changing over to LED lighting.

C.I. - Though it sounds like you would be doing the Green Team initiatives anyway because it is part of your culture, has this led to your facility becoming LEED certified? If not, is this something on the horizon for the future?

SD - LEED certification would be a dream. In my experience, LEED certification is very difficult to attain on a large, remodeled (change of use) facility such as Club Northwest. The things we have done are good, but so much of LEED certification is rightly about geographic placement of the facility. So much of the certification involves proximity to public transportation and other items that we cannot change in our current location. I don't know for sure, but my guess is that the great majority of LEED-certified buildings, even at the lower level of certification, are new builds. At some point in my career, I would love to build a new building, but if you compare the cost of a new building as opposed to finding an old one and refurbishing it or changing the usage, it seems that the current ROI is much better with the remodeling option. Until we win the lottery, we will continue to do all that we can through maintaining our current initiatives and continuing to team up with our members to create new solutions.

The Membership of Club Northwest

C.I. - Let's talk about Club Northwest's membership: Please describe the local area demographics, as well as your target customer.

SD - Grants Pass is an old timber town with a current population of 36,000. The population is skewed toward retired folks. Our target customer is anyone who wants to be well and is willing to put some level of effort into that wellness.

C.I. - Do you charge an initiation fee? If so, how much is it, and is it based on membership type? And, is it used as a discount incentive?

SD - Yes and yes. On **Month-to-Month**, **Individual** is \$500; **Couple** is \$600; and **Family** is \$700. On a **One Year Lifestyle Agreement** (this includes Fitness Coaching for first 90 days of membership, Complimentary Week-long VIP Memberships for friends and family and the Club

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Club Northwest's KidZone



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Passport Program), *Individual* is \$250; *Couple* is \$300; and *Family* is \$350. We have regular promotions that value-add or reduce the membership fee for the Lifestyle Agreement. We try to make sure there is good reason for such promotions, always focused on wellness outcomes.

C.I. - What are your price points for membership (singles, couples, family, etc.)?

SD - Our Lifestyle Membership monthly dues: *Individual* is \$61; *Couple* is \$78; and *Family* is \$95. We also offer minimal dues discounts for seniors, juniors and corporate memberships.

C.I. - How many membership accounts do you have, and how many members does this equate to?

SD - We have almost 4,400 memberships that equate to a bit over 9,600 members. One of our core values at Club Northwest is our belief that we serve the best members in the world. This is the real-life application of our belief that, in life, one tends to get what they are looking for. We go beyond talking about this and work daily to live this value. My team and I have shared many experiences of just how powerful this intent can be.

C.I. - Please tell us about your corporate membership program.

SD - We offer two options for businesses: Our *Business Wellness Partnership* allows employees of eligible local businesses to join for a reduced membership fee and pay monthly dues that are \$5 less than regular dues. Our *Corporate Wellness Partnership* is for businesses that want to be financially involved with their employee's wellness. Requirements include 100% of staff being included in the program and that it is 100% paid for by the employer. Monthly cap rates are approximately 40% of regular monthly dues, and the membership fee is also reduced.

C.I. - Please describe the competitive environment within a 15-minute drive of Club Northwest.

SD - There is a 60,000 square-foot YMCA, The Zoo, Anytime Fitness, several small fitness-only gyms, multiple CrossFit and yoga studios and a new Planet Fitness opening in April.

Medical Wellness and GENAVIX

C.I. - Let's discuss your medical wellness initiatives and involvement with the Medical Fitness Association. Please take me through those.

SD - We have been working with local medical physicians and the medical community for many years, primarily through our personal training department and our nutritional experts at **the new well**. **The new well** is our own branded weight loss and wellness offering. We have two centers, one here at Club Northwest and

one in Medford.

It's a holistic look at weight loss. The way to describe it best is that it creates an environment where our clients can establish or re-establish a healthy relationship with food. It's a 4-pillar program:

1. Whole foods nutrition;
2. Easy and effective exercise;
3. Stress reduction component: We use a tranquility room and do some things to get re-centered. A lot of studies show weight gain is more of an imbalance of other things beyond just eating too much. There are reasons behind it, so if we can get that person to slow down, relax and get in a space where they are connected to themselves, the relationship to food almost naturally comes back in balance.
4. The Coach, who is the key and at the center of their journey.

We joined the Medical Fitness Association in 2015, so we are fairly new members. We look forward to growing with the Association.

C.I. - Club Northwest is also the first club outside the Northeast to join the GENAVIX Network. Please tell us about that.

SD - As I mentioned, for years in our own area, we have had connections with local doctors, clinics, the hospital and the medical world in general. The thing that has been missing in our industry, the gap we have, is that we haven't measured things well. If I go to a physician and say, 'If you have an average population, and we can use national statistics, I know 65% of your patients are either overweight or obese. They can use us, we do a great job with folks, so send your patients our way.' The doctor will say, 'Well, send me the aggregate data.' They have so many patients they don't have time to talk to Joan who lost 50 pounds with us, so I walk away with my head hanging down. So, both the Medical Fitness Association and GENAVIX, for us, are ways to get connected with processes and practices that fill that gap. We do great work, but we have to be better at documenting that work and then duplicate those programs in a way that appeals to the 80% of people who are not involved with a club.

Scott Gillespie, Owner of Saco Sport and Fitness, introduced GENAVIX to our REX Roundtable group. I looked into it and had the pleasure of getting to know Mike Benton at GENAVIX. His vision, and his team's vision, of filling a gap that we have had in our industry of providing complete and meaningful individual and aggregate data regarding successful wellness programs fits very well with our vision for the future of Club Northwest. We share Mike's vision of being a significant partner in the medical wellness continuum. We are currently in the process of hiring our Medical Wellness Director to run the GENAVIX Program here at Club Northwest.

Overall, I found the process

very easy. Rick Caro and I had several conversations about the fit and possibilities of partnering. That was very helpful. Mike Benton was very open. And, Scott Gillespie, who does training for GENAVIX has been key in my seeing the possibilities of what GENAVIX could mean to Club Northwest and our area. So, again, here we are back to people. Between those three people, I have found them very open to conversation, and for anyone interested, that is what I would suggest. Give any three of them a call, and I know they will be happy to speak with you.

C.I. - What community efforts and causes are supported by the club?

SD - You will find in the second ring of the Club Northwest Compass (See **Sidebar on Page #18**) that **Our Outcome is Wellness for All in the Communities We Serve**. Club Northwest's total donations to the community eclipsed \$1 million late last year. The majority of our donations go to children and families in need, either directly or through local non-profits.

I'd also like to discuss the Club Northwest Ambassador Program. We are located in an area with a significant number of low income families and seniors. Several years ago, directly before the announcement of a needed dues adjustment, we created the Ambassador Program. The Ambassador Program allows a credit toward monthly membership for any member who wishes to place a *Join the Club* bumper sticker on their vehicle and/or place a political-type *Join the Club* sign in their yard. Currently, the total credit for both is \$12 per month. Some 100 memberships currently take advantage of the program, and we are considering raising the total monthly rebate to \$20 in the near future.

C.I. - Is Club Northwest a member of IHRSA? If so, please tell us about some of the benefits that have been received from membership. How about for you personally?

SD - At Club Northwest, we love IHRSA! From the *Lessons in Fitness Leadership* series IHRSA has produced, I'd like to share some recent comments I made:

"I am and have been a net promoter of IHRSA since long before the term was coined. We have attended the IHRSA International Convention and Trade Show for many years and have used IHRSA quite often by calling in and asking questions on various issues.

The people I've met through IHRSA are incredible. [...] To this day, IHRSA is still a very personal organization to me. I experience IHRSA as a family made up of diverse individuals all working together to master the craft of serving others in wellness. We've been to other conferences and have been involved with other organizations, but we just love IHRSA. It was time for Club Northwest to take the next step by joining the ILC. I'm looking forward to attending my first convention as an ILC member, being more involved in IHRSA's advocacy conversations and developing even deeper relationships with other industry leaders."

C.I. - You mentioned your REX Roundtable. What advice would you give to anyone considering joining an industry Roundtable of any type?

SD - Simply, I would say do it! Now that I have joined a roundtable, and knowing what I know now, I would have done it years ago. What I find most appealing is the sharing of best practices, the accountability and the opportunity to be with people who are all in. I absolutely love my Roundtable group. I have a deep affection for the whole process and the people who are there. I am incredibly thankful that I can be part of that.

I am deeply grateful to all those who have chosen to find their voice, and share that voice, within our industry. I have had the opportunity to meet so many truly great, loving people. Whether it is the small

(See Club Northwest Page 18)



A Portion of Club Northwest's Workout Floor

...Club Northwest

continued from page 17

boutique operator or trainer that brings it all on the floor every day, or leaders like those in my REX Roundtable Group, or legends such as Bill Pearl, John McCarthy or Mike Alpert, there is a lot of love in the wellness world. I am deeply inspired by the possibilities of our future. Together we are well. What IS possible?

C.I. - What is on the horizon for Club Northwest in the next 3 - 5 years?

SD - We are committed to growing as Serriors by continuing to passionately serve the best members in the world. We are currently in the process of purchasing a fantastic building that is situated adjacent to our current property. This will add 22,000 square feet to our campus and allow us to move forward with our long-term vision of Club Northwest University, KidZone University and the expansion of our medical wellness influence in our community.

C.I. - Please tell us a little bit more about Club Northwest University and KidZone University.

SC - Club Northwest University began years ago as a source of career growth for our Serriors. In the beginning, it was primarily a way to earmark a percentage of profits to Serrior education and growth. Now, we are moving into a new era in which Club Northwest University is providing ongoing learning opportunities through Verne Harnish's scalingup.com and gazelles.com websites; lynda.com; industry workshops and conventions; our own in-house learning opportunities, including *People Power* and *I AM Well* workshops; local and online college and university courses; and other opportunities as proposed by our Serriors and accepted by the Club Northwest University Board.

KidZone University has been a concept that we have been working

(See Club Northwest Page 19)



The Spa at Club Northwest



toward through KidZone and our non-profit KidZone Community Foundation (kidzonefoundation.org), 'All Kids Moving With A Smile,' for many years. We hope to begin offering KidZone University within the next couple of years in the new building adjacent to Club Northwest. KidZone University will be a university for pre-school kids. Our focus will be aligning with young children's curiosity and introducing to that curiosity some of the things that we, as adults, do and that children may end up doing as they grow up.

In facilitating this vision, the KidZone University Director will recruit local experts in a myriad of areas (architect, retired filmmaker, musician, avid boater, etc.), offering them a unique opportunity to 'pass it forward' and establish a VIP relationship with Club Northwest. The Director, an expert in early childhood behavior and education, will then, in a group setting, 'teach' these experts to teach kids of this age. For example, if the architect for instance, stands at the front of the classroom and waxes eloquent readings regarding Frank Lloyd Wright, he's going

The Compass of Club Northwest

LOVE CONQUERS ALL (and is opposed to nothing). This is the center of our Compass and simply our truth. To explain it is to move away from living it. It must be experienced. It does produce outcomes...

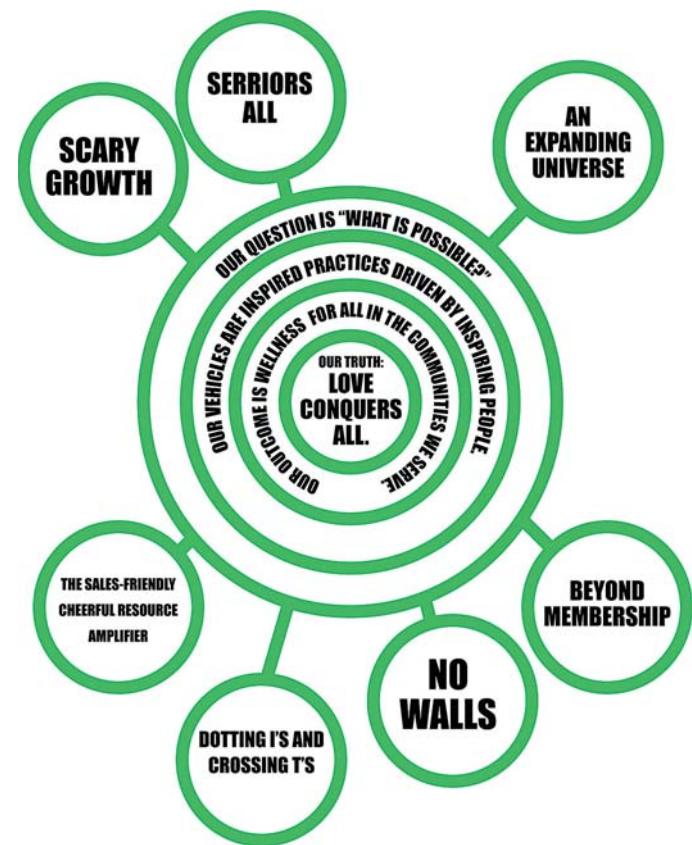
OUR OUTCOME IS WELLNESS FOR ALL IN THE COMMUNITIES WE SERVE.

Some of the specific outcomes include our practice of never saying 'no' to a donation request, even if our offer is different from the exact request; KidZone Community Foundation and its vision of '...all kids moving with a smile;' our practice of seeing all people as love and wellness; our welcoming of what may be in other contexts considered competitors (one that I wrestle with from time to time); and our highest mission: Our member's and guest's experience of wellness here, now. In practicing these and other outcomes, we find that we live into wellness ourselves. Together. Well.

OUR VEHICLES ARE INSPIRED PRACTICES DRIVEN BY INSPIRING PEOPLE.

What is a vehicle? It is a way to get from point A to B, yes? We are in the wellness business. Point B is a point of more wellness than point A. Our vehicles for getting there are our Serriors and their practices. We practice the inspiration circle: How do I become inspiring? **BE INSPIRED**. How do I become inspired? **LOOK FOR INSPIRATION**. In life, you will find what you are earnestly looking for. It sounds simple. It is.

OUR QUESTION IS: WHAT IS POSSIBLE? We believe that a life lived in a question is more inspiring, productive and well than a life lived in an answer. What better question to live into than, 'WHAT IS POSSIBLE?' Can you imagine the energy of 136 Serriors living that question inside an aligned 59,000 square-foot box? That is wellness... Club Northwest style.



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GREG OLIVER, Group Chief Executive
Fitness & Lifestyle Group



hypoxibody.com/franchise

...Club Northwest

continued from page 18

to lose the kids. So, one of the keys will be dynamic and very creative age-appropriate props, which we will provide in abundance.

Imagine when Johnny comes home with his *Building With Bob* report card, to which Bob has attached his business card. Who do you imagine will build Johnny's parent's next home? And, who knows, *perhaps Johnny will become John the Architect, one day*. Children and parents will connect with KidZone University, from selecting individual classes all the way to full-time attendance as a replacement to pre-school. Credits will be given much like a local community college, and course catalogs offered as well as certificates and graduation events.

C.I. - WOW. Throughout my research for this interview, and well corroborated by everything we have discussed, one thing above all is overarching: LOVE. Can you please expand on this ever-important and sometime forgotten concept of love in business and the importance of its role at Club Northwest, and really, all of our lives? **SD** - First, that you *see* this is profound for us here at Club Northwest. I believe that

is what we are here to do, not just in our clubs, but on the planet. We are here to be the love that we are and to see that love in others. There can be a lot of distractions, but I've been on this learning path in the industry for 25 years, and *that's really what matters to me*. It really is what drives everything inside our club, even from a very practical sense. If you have that, anything is possible. If you don't have that, your success will be limited. People want to know that they are seen. We work very hard to see people, *really see people* as the love that they are. A great trainer believes in their client, in many instances, before the client can believe in himself. It's taking that across an entire organization and taking it to the core of its DNA; that's what we are up to.

I am asked a lot if I knew twenty years ago that Club Northwest would be like it is today. I don't know, but I do know that, if I get stuck in that and it becomes more important than being here now and being the love that I am and for other people, I know I will take it sideways somehow and it won't reach its full potential. The challenge I have is making sure I am being that first. The rest of the stuff just happens. Though I've tried to explain it, it is better to experience it than

being told. There's rarely a day that goes by here at the club when tears of joy don't come to me at some point in the day. There is so much that happens here that is about people caring for each other and truly loving what they do. That is where the word *Serrior* came from. We wanted a name for ourselves and wanted something that made sense to us beyond just staff. We created a new word because we couldn't find one that fit. A *warrior servant in wellness*... If that doesn't resonate with you, it doesn't mean you won't be great in some other organization, but when it resonates with someone and they get on this team, they just excel. A lot of times, it's someone like me who has had struggles in their own life. They get involved in serving others, and a lot of that other stuff doesn't matter anymore. It's a passion for us; a lifestyle that we live into a little more each day.

• • •

Thank you to Scott Draper for his generosity of time interviewing for and assisting with this story, as well as the gift of his love to this craft we are all fortunate enough to call a profession. Thank you also to Evan Oliver for his assistance with photos and graphics to accompany

this story.

(Justin Cates is the Assistant Publisher of CLUB INSIDER and grew up in the health and fitness club industry. Justin was born into a club business family in 1985, and from the age of eight, he spent his non-school and sports hours in a home that doubled as CLUB INSIDER Headquarters. He has lived and breathed this industry for 32 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)



Management Styles:

Or, Why Sometimes Working Together is So Difficult

By: Dr. Gerry Faust

Part II

Let's take a deeper look at each of the four management styles:

"P" - Producers: There are people who, by personality, are just born to "P." These are results-oriented people who take pride in being hard workers. They are focused on achieving goals. Management by objectives is an approach that really works for them. They come to work early, leave late and generally carry work home with them even if they won't get a chance to work on it. Because of their commitment to getting things done, good producers are generally skilled in their respective fields. They can be counted on to get the job done. They are often impatient and would rather get on with it than talk about it. To them, a good meeting is one on one... standing up. Long discussions are often seen as a waste of time.

Very strong "Ps" are often not good delegators. They love their work and

delegation involves giving away one of their favorite things. When you encourage them to delegate, they may respond with:

"If I delegate this to someone, I'll have to train them because they are not ready to do it as well as I would. Then, I'll have to watch them carefully to catch any errors, and if they do make a mistake, which is highly likely, I'll have to step in and do it. So, it's just better if I do it myself."

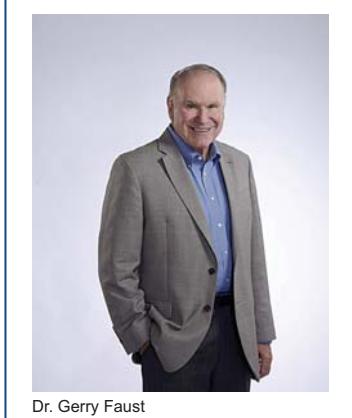
"It's better if I do it myself" is one of their favorite phrases.

"Ps" often have messy desks... they want to keep moving fast, and that doesn't leave time for cleaning a desk. Others (usually "As") often have to "clean up after them" in terms of keeping things organized or completing reports. They may be able to sell memberships, but they may often be lax when it comes to the related paperwork. They don't train others because they have no time to train. When they do delegate, they delegate tasks and generally don't give people broad based authority.

"Ps" have a short-term focus. They focus on what needs to be done now,

and to get things done, they may feel it is okay to take shortcuts or "bend some rules." The day is never long enough for Producers. They have so much to do. Their action orientation is so strong their method is often characterized as "ready, fire, aim..." or, just "fire."

"P" people are great when working in "P" departments (sales, personal training, etc.) with clear goals and short-term rewards. They are generally better motivated by spiffs, bonuses and salary as opposed to long-term incentives like end of year bonuses and stock options... and they love competition, contests, trophies and other types of recognition of their achievements, many of which you will see on their office walls or shelves. Their "do it myself" action orientation has led some to call them "Lone Rangers." The originator of this PAEI "language," my former partner Ichak Adizes, first used this term to refer to people who he called "exclusive Producers" (POOO) to contrast them with a person who has a lot of the P traits but is a more balanced producer (Paei). These balanced producers get things done and can be great team members. They are particularly great when you have them in "P" positions.



Dr. Gerry Faust

carefully, follow the agenda and start and end on time.

"As" like data and solid evidence. Often, when you think the team is ready to make a decision, the "A" will request we gather more data, then more data, then more data. "As" do not like conflict... they ignore it or avoid it if they can. If they get into conflict situations, they withdraw and remember... "They take notes and keep score." They generally do not like change because it's disruptive... they would rather leave things as they are. Unfortunately, their systems and policies orientation can become an obstacle to their empathy and member service orientation. Balanced "As" (pAei) are great administrators. They keep things organized and on track.

Strengths of Producers: These are good people to delegate tasks to, especially ones with clear goals. They are hard workers and will keep on task until things get done. Strong "Ps" are knowledgeable achievers. They know their craft and work long and hard to drive results.

"A" - Administrators: There are also people who are more "A" oriented. These people are organized, systematic thinkers and are good at designing and following systems, policies and procedures. They like things organized and generally believe there is a place for everything and everything should be in its place (and under control). They focus on how things should be done in the short-term. They are more likely to come to work on time and leave on time. They often have a well-organized desk and schedule, and they don't like changing either of them. They can be somewhat/very judgmental. They come in to work exactly on time and may declare people just behind them as "late." They often search for violators of policy or procedure, and although a salesperson may have brought in 50 new members in a month, they may see that as a bad thing if there were any shortcuts taken, such as modifications made to standard rules, prices, processes or policies. They don't mind meetings as long as we plan them

"E" - Entrepreneurs: These are the tea leaf readers of the business world. They look at the bottom of a cup at something others would only see as so much goo, get great insights and declare, "It means we should go this way!" Entrepreneurs strongly believe the dictum that, "What can be thought can be achieved," although they may not know how. They are generally optimistic, focus on the BIG picture and are

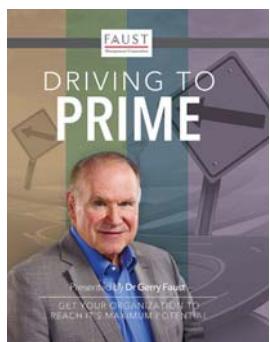
(See Dr. Gerry Faust Page 21)

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...Dr. Gerry Faust

continued from page 20

often charismatic leaders. They generally like to delegate the work and the details, often with unrealistic expectations. Like eagles flying at 20,000 feet, a thousand-mile journey that the "Ps" and "As" are asked to take may look like a short walk in the park to the "E." The "E" often overlooks details and doesn't want to let facts get in the way of a good theory (especially their good theory). They generally march to the beat of their own drummer. When do they come to work? Who knows... "Es are spontaneous people. They call impromptu meetings, exciting meetings that may not result in a real clear direction. I once heard a person coming out of an "Es" meeting ask, "What was the purpose of that meeting?" Her colleague answered, "I think we were just supposed to experience it." Time and schedules aren't an "E's" priority. They also arrive at scheduled meetings 30 minutes late and announce, "I'm here, it's time to start!" Exclusive "Es" (OOEO) are often referred to as Arsonists because they start fires (launch new ideas) just to shake up an organization. It's better to have more balanced "E" (paEI) on your team.

They don't like having their ideas challenged and will get frustrated if people don't get their "easy explanations." Sometimes, they will attack people who disagree with them. However, they **attack and forget**. They see their attacks as a way of "getting your attention," but two minutes after they "attack" you, they may claim you are the stellar performer in the organization. They think a quick smile and hug should put everything back together. Often, "As" are their targets. What a combination that makes: The E "Attacks and Forgets" while the A "Withdraws and Remembers" (forever).

Strengths of Entrepreneurs: These are the idea people good at "out of the box" thinking. They can bring unique solutions to tough problems. They are often charismatic and can get people to follow them, and they love leading the way. They are good at starting companies and in functions that require their "E," like marketing, research and development (programming). Does this sound like Steve Jobs?

"I" - Integrators: Integrators are people persons. They like being with, listening to and helping others. They value the opinions of others so much they may have a tough time making hard decisions. They can be overly influenced by the last person they talked to. They like to talk last in discussions and support the ideas of others. They come to work when everyone else does, have an ongoing open door policy, like gatherings, as well as the input, feelings and ideas of others. They love getting to know you, long conversations and group meetings. They prefer team-based decision making and company events. They make good friends and often have many friends. They try to avoid conflict but don't keep score as much as the "As." They worry about employee engagement and teamwork and are ready to measure and facilitate these things in the organization. "Is" can often be victims of

the fast moving "Ps" and "Es." They don't often stand up to aggressive expressions of ideas and may take the role of martyrs more than they should by saying, "Okay, I'll give in, but it's going to hurt me, us or the people." They hope this tactic will cause the "Ps" and "Es" to reconsider, but to those people, this is just an obstacle removing itself and seems reasonable, so they just plow forward without more thought. Strong, more balanced "Is" (paEI) can provide a very good perspective and see unintended consequences of decisions that others don't see.

Strengths of Integrators: Integrators are great listeners, relationship builders, facilitators and care givers. They are good personal coaches, activity planners and keepers of a corporate culture. They are terrific in the "pampering arts" (massage, Pilates, etc.) but also at the front desk or being put in charge of member retention. They can be the valuable eyes and ears of their less sensitive "P," "A" and "E" colleagues when it comes to company culture.

Here is a summary of the terminology I've used, and it comes with a reminder that some balance in personality is a good thing... But, even with that balance, the dominant style behaviors will generally shine through:

PaEI = Producer

paEI = Administrator

paEI = Entrepreneur

paEI = Integrator

POOO = Lone Ranger

OAOO = Bureaucrat

OOEO = Arsonist

OOOI = Super-follower

Teamwork and Management Style

As you have probably guessed, people with different management styles may have difficulty listening to, working with and getting along with each other. They also need each other very much. The *best managers* have a *balanced style*. Styles that have the most difficulty getting along are: A with E and P with I (See Figure 1). Generally, they have a dominant style but also have some traits, capabilities or understanding of other styles. People without this balance can be on the bizarre end of the traits discussed earlier. It's good to have a strong style element, but balance and a willingness to respect and listen to people with different styles is a key to handling strong teams. The value of understanding a person's style is that it should help you know how to approach, sell to or motivate them.

I often tell business leaders that the people they really need to have on their team may be the ones they have the greatest problem getting along with or even working with. Teamwork requires two characteristics of all the players... *mutual respect and trust*. The respect and trust will cause you to listen to the message even if you don't like the style of the delivery. Respect and trust and shared vision and goals are key catalysts that will help you convert conflict into productive disagreement or what a head of marketing

in my company once called a "productive collision of ideas." Understanding the styles of others helps us to see through the style to the elements of truth in their message or the rationale for their seemingly poor behavior.

A good multi-style team is a *very good team*. It reminds me of a fortress with four walls, one facing each direction. That fortress can have threats and opportunities coming from the four directions. So, it's good to have a teammate for each of the walls. The PAE and I walls. And, it's especially good if the people with those styles are on the right walls... *the right positions in your organization*.

You will find that, over time, people with the *right style fit* with the desired/required culture of a function in the organization will like and do the job better than someone without that fit. People with more role balance will have more flexibility to listen to and take action on suggestions about changes to leadership style and management role.

For additional resources on this topic, including a video on it you can share with others and information on how to apply this content, please visit bit.ly/clubinsider30.

Application: I said earlier in this article that having one language for many management related concepts could be valuable. So, let's explore that idea a bit further.

The PAEI language can be used to discuss:

1. Management Roles (What the organization as a whole or a department needs.)

2. Management Styles (A person's personality reflected in the way they work or manage.)

3. Organization and Department Cultures (Culture is defined as the typical behavior of an organization. It's "The way we are or how we do things around here." As you can imagine, there are P, A, E and I culture elements and the relative strengths

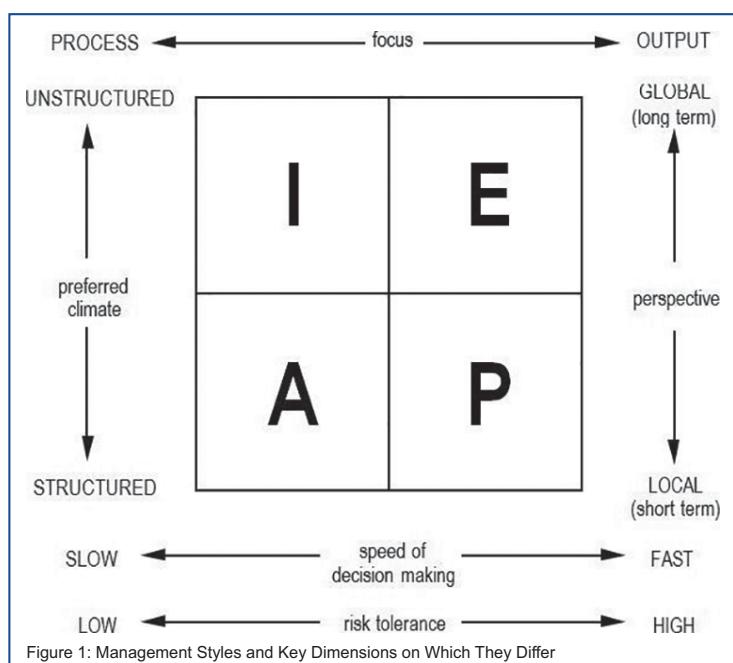
of these four elements creates a culture profile (e.g. PaEI).

Remember, there is a desired PAEI culture in each department in your organization. Now that you know the language, you can discuss some key questions with similarly informed colleagues:

1. What is the role balance (culture) we need for a given department?
2. What role do we need to strengthen in this department?
3. Do we have the right style person in the lead role in this department?
4. What is the overall culture of our company?
5. Should we try to make some adjustments to that culture, and if so, what roles need to be strengthened, or relaxed, and in what way?
6. What is the PAEI style of the people on our/my team, and what does that mean about how we/I might better lead, manage, motivate or interact with them?
7. Do we have team members who ought to focus on developing more of one style in their work (e.g., increase their "P," and what would that mean)?

I have found that the dialogue related to these questions can have very productive results. It has helped me and my teams improve organizational structures, select the right people for jobs, coach managers and workers and make significant desired changes in organizations' cultures around the world.

*(Dr. Gerry Faust has been helping club owners and managers create quality results for over 30 years. He is the author of **Responsible Managers Get Results**, and a new 4-DVD series entitled **Driving to Prime**. See Dr. Faust's Ad on Page #20. To learn more about Gerry, his services and his programs, visit www.Faustmanagement.com)*



Don't Go There: What *NOT* to Ask During a Job Interview

By: Melissa Knowles

Recruiting and interviewing are among some of the toughest skills for many new hiring managers to acquire. Analyzing a candidate's ability to perform, the likelihood of them committing to the team for the long-term, as well as their fit within the company culture, all within the span of a 45-minute interview, is a challenge. A hiring manager should focus on developing

a carefully curated list of questions for each position. These questions should seek to gather as much information as possible about the candidate. However, regardless of the position, there are some questions that are legally off limits. Below are some areas in which an interviewer should tread very carefully, or not at all.

AGE:

DON'T ASK: How old are you? When were you born? What year did you graduate? How long have you been in the work force?

INSTEAD, ASK: What are your long-term career goals? Are you over the age of 18?

Age is a protected class under the Older Workers Benefit Act, and discriminating based upon it will land you in hot water.

MARITAL and FAMILY STATUS:

DON'T ASK: Are you married? Do you have children? Who will take care of your children while you're at work? Do you plan on having more children?

INSTEAD, ASK: Would you be able to work a 9:00AM to 6:00PM schedule? Would you be willing to relocate if necessary? Would you be willing to travel as needed by the job? Would you be able and willing to work overtime if necessary?

A candidate's familial status should not be considered when making a hiring decision. There are federal laws that relate specifically to women, including the Pregnancy Discrimination Act (PDA), prohibiting discrimination on the basis of pregnancy, childbirth or related medical conditions, and the Family and Medical Leave Act (FMLA), prohibiting discrimination against pregnant women and parents who take leave from their employment responsibilities to care for a newborn baby, sick child or aging parent. Many states also have anti-discrimination laws geared toward protecting a woman's right to fair employment. What may be considered is their ability to work a specific schedule and meet the demands of the position. The alternate questions are okay to ask, as long as they're asked to all applicants.

DISABILITIES and QUESTIONS RELATED TO HEALTH:

DON'T ASK: Do you have any pre-existing health conditions? Are you on any medication? What are the nature and/or severity of any disabilities that you have? How's your health?

INSTEAD, ASK: Can you perform the essential functions of the job, with or without reasonable accommodation? Are you able to lift 50 pounds (as long as the job requires this)?

A candidate's health and disabled status are protected under the Americans with Disabilities Act (ADA), which prohibits discrimination in the workplace based on



Melissa Knowles

a person's physical disabilities, including a prohibition against pre-employment questioning about the disability.

CRIMINAL RECORD:

DON'T ASK: Have you ever been arrested? Have you ever spent time in jail? Have you ever been caught drunk driving?

INSTEAD, ASK: Have you ever been convicted of a crime? *Be careful with this one.* The answer should only be considered when a conviction is for a crime which will have a potentially negative impact on the business. An example would be a fraud conviction when the position involves handling funds or sensitive personal information.

There is a growing movement toward "banning the box," which prohibits employers from including a check box on their applications which asks if applicants have a criminal record. At this point, nine states, DC, and fourteen cities and counties have adopted this stance. It does not prevent employers from asking about criminal convictions during an interview.

CREDIT RECORD:

DON'T ASK: Do you own your own home? Have your wages ever been garnished? Have you ever declared bankruptcy?

INSTEAD, ASK: None.

Credit references may only be used if in compliance with the Fair Credit Reporting Act and Consumer Credit Reporting Act. The candidate must be provided with the necessary notices and disclosures and give their written permission to procure the consumer report. If, after reviewing the report, the employer decides to take adverse action, they must notify the candidate prior to taking such action. It's important to note that ten states have (See Melissa Knowles Page 23)

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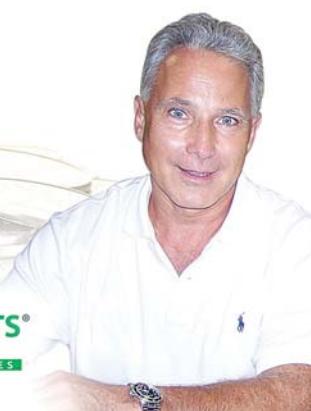
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...Melissa Knowles

continued from page 22

passed laws prohibiting employers from pulling credit reports at all. The latest recommendations advise limiting this assessment step to only positions where the candidate will be involved in accounting or money management or where there is potential for fraud and embezzlement.

RELIGION:

DON'T ASK: What is your religious affiliation? What religious holidays do you celebrate? Do you attend church every week?

INSTEAD, ASK: Weekend and holiday work is required. Will this pose any difficulties for you?

Federal law (Title VII of the Civil Rights Act) and the laws of most states prohibit an employer from engaging in religious discrimination.

NATIONALITY:

DON'T ASK: How long has your family been in the United States? That's an unusual name; what does it mean? How did you learn to speak Chinese?

INSTEAD, ASK: Are you eligible to work in the United States? What languages do you read, speak or write fluently? *This question should only be asked if it's relevant to the performance of the job. Federal law prohibits discrimination against national origin.*

USE OF LEGAL and ILLEGAL DRUGS:

DON'T ASK: Do you drink socially? Do you smoke? Have you ever been addicted to illegal drugs? What illegal drugs have you taken?

INSTEAD, ASK: Have you ever been disciplined for violating company policies about the use of alcohol and tobacco products? Are you currently using any illegal drugs?

Concerns about drug, alcohol or nicotine addictions are valid as they can impact an

employee's quality of work and the rates of a company's health insurance coverage. However, an employer should be mindful to frame questions about these potential problems in a careful manner. Also, under the Americans with Disabilities Act (ADA), recovering alcoholics don't have to reveal any information that might hint at their status. It's also illegal to question job applicants about when they last used illegal drugs, although asking if they're currently using illegal drugs is permissible.

MILITARY SERVICE:

DON'T ASK: Was your military discharge honorable or dishonorable? Why were you discharged? Will you be deployed anytime soon?

INSTEAD, ASK: What type of training or education did you receive in the military? What did you do in the military?

If the applicant is currently serving in the National Guard or Reserves, an employer is not permitted to ask them if they are going to be deployed.

State and Federal Equal Employment Opportunity (EEO) laws do not prohibit an employer from asking about the type of discharge; however, asking a veteran to reveal the nature ("characterization of service" in military parlance) of their discharge is considered private information, similar to asking someone "what kind of a disability do you have?" Therefore, it's advised to avoid any questions regarding discharge. Law also prevents an employer from discriminating based on current military service in the National Guard or Reserves.

One Final Point: When it's all said and done, a hiring manager really only needs to know if the candidate can perform the necessary duties required for the position. If they can't, there is no need to know the why. The why can lead to discrimination, which leads to legal issues.

(Melissa Knowles is Vice President of GYM HQ, a Division of Club Ready, and she can be reached at mknowles@clubready.com)



The New World of Lighting for Health Clubs

By: Bruce Carter

As you are aware, the club industry has been going through major changes in the past few years. What you might not be aware of is that the lighting industry has also been going through major changes, and if the right choices are made, this can have a powerful effect on achieving a motivating and energy saving environment for any type of club.

New lighting standards created by Congress and the Department of Energy have been phasing in since 2012. These require that any bulbs sold need to use a minimum of 25% less energy, and certain types of incandescents can no longer be sold in the United States.

Gone are the days when "any lighting will do," and the goal now is to choose lighting that reduces electric bills while also creating different ambiances in different areas of the club from exciting to soft and soothing. Therefore, lighting choices have two major aspects. First is the energy efficient and longevity of the unit and bulbs, and the second, equally important, is the esthetic and functional value of the lighting.

The first important point to know is that lighting is now designated differently and can often lead to confusion. New choices on incandescents, CFLs, LEDs, lumens and color temperature have to be decided on.

The main types of lighting now are halogen incandescents, CFLs (compact fluorescents) and LEDs (light emitting diode). The lighting most often used, the standard incandescent light bulbs and typical T12 and T8 long fluorescent strips were energy inefficient, didn't last long and produced heat when on. These are becoming outdated and eventually will not be available by law.

It should be noted, common lightbulbs now sold use about 25 - 80% less energy than traditional incandescents. For example, on average, an incandescent bulb may last around 1,000 hours, while a CFL bulb producing the same amount of light (in lumens) may last around 8,000 hours and an equivalent LED bulb may last around 25,000 hours.

In general, even though LEDs are more costly than other bulbs, the energy cost savings as well as not having to replace a bulb as often make LEDs the best choice for clubs. To replace your existing bulbs, look at the type you have then go online to determine what the LED replacement is.

Where in the past brightness of a bulb was determined by watts, it is now designated by lumens. Assume that, if you want a 100-watt bulb, you need a 1,600 lumens LED bulb. An 800 lumens bulb is only equivalent to a 50-watt bulb.

Next is the "color temperature" of the bulb, now measured in kelvins. Color temperature ranges from a soft yellowish light (2,700 - 3,000K) to a very bright daylight (5,000 - 6,500K). The range of 3,500 - 5,000K is best for exercise areas. Lobbies and locker rooms should be closer to the 3,000 - 3,500K range.

Why pay attention to these lighting numbers? Because some clubs end up with very bright white lighting, and since most people do not like how they look in exercise clothing, being in a space in front of mirrors with such bright lighting only amplifies their discomfort of being out of shape and "visible."

Now for a discussion on the all-important esthetics of lighting. Clubs are now, more than ever, in the hospitality business, and when looking at that industry, they use a variety of lighting options for a more engaging environment.

Consider these options for a greater impact. All of them come in an LED format or can be ordered, and a LED bulb can be purchased separately for the unit.

The new trend with club lighting is to offer more than one lighting "experience" for the same space. Different lighting can create different atmospheres for the same space. For a single group room, Zumba might get one type of "energy" lighting while yoga gets a totally different lighting environment. This can be done cost effectively and adds so much more "value" to the exercise class.

Theatrical lighting (or stage type lighting) are LED units that can add "drama" and bring special attention to an area such as a group training space or spinning. These can change the color of environment of the space, such as creating blue accents, and the units are inexpensive and should be ordered with a remote control.

Cove lighting can accent a wall or the side of a desk, shining up or down on the surface. It is also inexpensive, yet very impactful. The key is to have the effects of the cove lighting seen but not be able to see the actual lighting strip. These come in white and different colors.

Up-down lighting units are becoming the standard for replacing the previous basic fluorescent (2' x 4') box lights in a dropped ceiling. These units have a concave lens where light shines up and reflects down. The same type of up-down lighting is available in 4' and 8' strips replacing the older style fluorescent tubes, shining down and also up, reflecting off the ceiling for a "fresher" atmosphere.

Drum lighting are cylindrical units that

come in a wide variety of sizes and colors, and fabric units make the lights "glow." These work great in lobbies and group exercise rooms and make a wonderful upscale statement.

Wall sconces add impact to entrances, hallways and locker rooms. **Pendant lights** above reception and trainer desks are impactful yet economical. Both types are available in a vast range of styles, shapes and colors.

The number of websites that offer lighting is substantial and has totally changed the availability of excellent lighting choices at lower prices. It is always best to install certain types of lighting with dimmers, enabling you to create the amount of lighting and "effect" you want to create for a space. This would include recessed can lighting, theatrical and drum lighting that may be used in group rooms and spinning.

One last point is that, before purchasing any lighting for a new or renovated space, check with your local utility company because many offer substantial dollar credits for making energy efficient choices.

Lighting can be one of the most impactful interior architectural statements you can make in a club. Choices can



Bruce Carter

either add to your club's average and plain atmosphere or create drama and excitement that make people remember the inspiring experience they have every time they visit a club. Lighting is so much more than helping people "see where they are." When done properly, it can add one more powerful asset to your marketing and competitive strength with the added benefit of decreasing your utility expenses.

(Bruce Carter is President of Optimal Designs Systems International and can be reached at 954-888-5960 or by email at bruce@optimaldsi.com)

Leisure Sports Announces New Senior Executive Leadership Team Members

PLEASANTON, CA - Building on three decades of success in the health club and hospitality industries, Leisure Sports Hospitality has fortified its senior executive management team as it looks to expand its diverse portfolio of properties and services. Two new positions have been created to support these efforts. Erin Gilmour Watson has assumed the role of Senior Vice President of Growth, while Noah Rolland has been promoted to Senior Vice President of Strategy and Innovation. In their new roles, Watson and Rolland will help drive the opening of new sites, fitness club acquisitions, and the expansion of strategic partnerships.

Rolland has a track record of success in the fitness and hospitality industries that spans nearly three decades. His broad executive expertise includes team management, product innovation, revenue management and strategic partnerships. Rolland's achievements include roles with several industry leaders, including TRX, Equinox, Crunch, Carmel Valley Ranch and the Rancho La Puerta Spa.

"Noah shares our values, business focus and drive for innovation. His extensive experience within the fitness industry, coupled with a proven record to drive growth within an organization, make

him an extraordinary leader for our team," said Steve Gilmour, President and CEO of Leisure Sport.

As the Senior Vice President of Growth for Leisure Sports, Watson will serve as the vanguard for LSI's growth and expansion efforts across the company, including the continued evolution of the existing boutique fitness platform.

Watson joined Leisure Sports more than 13 years ago, excelling in several positions across both fitness club and hotel properties. Rising quickly through the ranks, her most notable roles include managing a large team of more than 30, serving as an opening team member of the Renaissance ClubSport Aliso Viejo property, a stint as General Manager for The Studio (Leisure Sports' boutique fitness club brand), and most recently, Vice President of Development for 2G Fitness.

"Over the course of her career, Erin as has held several critical leadership roles where she has successfully implemented strategies that have strengthened and enhanced our business and our brands," said Gilmour. "Erin and Noah will be essential assets as we continue to grow with new products and develop strong strategic partnerships."

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Risk Management:

How to Minimize Your Potential Legal Exposure to Employment Disputes

By: Paul R. Bedard, Esquire

Employment lawsuits, including claims of discrimination, sexual harassment and wrongful termination, are among the most common lawsuits filed against companies in the United States. According to the Equal Employment Opportunity Commission (EEOC), nearly 75% of all litigation against corporations involves employment disputes. It has also been reported that the median judgment resulting from an EEOC charge is approximately \$200,000 and that the average duration of an employment claim is 275 days.

In order to defend your business from an employment lawsuit, and to minimize the potential for one to develop in the first place, you must proactively design and consistently implement your employment practices, particularly when it comes to hiring, training and terminating employees. You must also document these practices on an ongoing basis, which will prove to be invaluable should you be on the receiving end of an employment claim or governmental audit.

This article is the second in a series that will explain in reasonable detail some of the most common legal risks within the health and fitness club industry and how to minimize your exposure to these risks. However, these articles are not intended as legal advice. Widely varying laws specific to each jurisdiction prohibit one-size-fits-all recommendations, particularly within the complex realm of employment disputes. Please consider these comments as merely an educational guide to assist you when you consult your own attorney for specific direction.

Proactively Consult Employment Law Professionals Before Issues Present Themselves

It is far more cost-effective to retain an employment law attorney to design or review your employment practices than it is to hire the same employment attorney to defend you against employee litigation. Proactively engage the appropriate legal professionals to educate you and your people regarding your applicable local, state and federal laws. Once the appropriate employment practices are identified, obtain buy-in from ownership and management. Implement these practices while establishing a consistent culture and message from the top of the organization down to every entry-level employee.

Undertake a thorough audit of your employment practices to identify what's working and what needs to be

addressed in order to minimize your risk of litigation. During this process, audit your recruitment and hiring policies and practices, confirm the posting of federal and state notices in the appropriate locations, critique your performance evaluations, promotions and transfer policies, review your disciplinary policies and termination procedures, update your job descriptions, assess your emergency drills and safety programs, review compliance of employee certifications and update your employee handbook while examining any individual employment contracts. Consider whether employment practice liability insurance is appropriate for your needs.

Establish Sound Employee Hiring Practices

Do your homework before hiring any employee. Research the applicant's criminal and social media history to uncover any red flags, particularly when it comes to the integrity of the applicant. When practical, reach out to colleagues within the industry for additional information about the candidate. Filling your ranks with people of integrity will go a long way towards minimizing potential employment disputes. Although I've shared this before, to quote the great Warren Buffet, "*Somebody once said that, in looking for people to hire, you look for three qualities: integrity, intelligence and energy. And, if you don't have the first, the other two will kill you.*" Maintain an absolute hiring standard when it comes to integrity.

Include statements of equal employment opportunity in job postings. Confirm that your employment application does not contain any discriminatory questions or criteria, and train your hiring staff regarding proper interviewing techniques to avoid the asking of discriminatory questions. For example, State laws vary regarding whether a conviction record can automatically disqualify someone for employment when it does not substantially relate to the job in question. And, questioning applicants regarding their marital status, arrests, observance of religious holidays, number of children, political affiliation, social drinking habits, disability, national origin, or ancillary information designed to provide a more accurate estimate of an applicant's age can land your club in hot water.

Publisher's Note: For more information on what NOT to ask during the interview process, please see **Melissa Knowles' Article on Page #22.**

Train, Promote and Discipline Employees Consistently and Document These Ongoing Efforts

Standardize your onboarding and training procedures. Formally explain these procedures in detail and have the appropriate trained personnel available to consistently provide this training from the very beginning of the employment relationship. Consistency is everything.

Upon hiring, immediately provide a comprehensive, yet succinct, employee handbook. At a minimum, your handbook should clearly describe the employment relationship, establish that you are an Equal Employment Opportunity Employer and reference relevant information from the Americans with Disabilities Act. It should also explain your corrective or disciplinary action procedures, conflicts of interest, attendance policies, compensation for exempt versus non-exempt employees, vacation policies, record-keeping and confidentiality. Additionally, your handbook should detail emergency procedures as they relate to safety and security. Have all employees sign acknowledgments and update your handbook at least annually or whenever applicable laws change. Communicate any interim policy changes via written memo and expressly declare that such changes are incorporated immediately into your handbook via the memo.

Establish neutral and objective criteria for performance expectations. Publicly promote the criteria for promotion and communicate opportunities to all eligible employees. Monitor performance appraisals and employee compensation to ensure these are tied to job performance. Analyze your data to confirm that comparable job performances result in comparable performance appraisals across different evaluators within your organization. A pattern of potential discrimination may emerge if this correlation is lacking.

Maintain detailed records of your ongoing training efforts including the regular training of all employees as it relates to policies governing sexual harassment and discrimination. Foster a culture that encourages all employees to treat one another with dignity, respect and professionalism regardless of rank or position. Encourage open communication and immediately address any early issues. Protect employees against retaliation by providing confidentiality to the greatest extent possible along with a clear and credible assurance in this regard. Implement a complaint process with multiple accessible avenues for reporting.



Paul R. Bedard, Esquire

If it is determined that harassment or other serious violations have occurred, take swift and appropriate action. Enforce attendance policies and any corrective or disciplinary action procedures fairly and consistently. Documented evidence of this consistency will pay rewards should you have to defend yourself against a wrongful termination claim.

Formally Communicate and Internally Document Your Termination Procedures

While some actions such as theft and workplace violence necessitate the immediate termination of employment, most employment issues that result in employment termination actually evolve over time. Whenever practical, utilize formal progressive discipline to document past behavior and the resulting disciplinary action. Expressly warn the offending employee of the next stage of the disciplinary process. Confirm the employee's understanding of their current status and the consequences of any future offenses. When you have to terminate an employee, do so while treating your employee with dignity and respect. Most importantly, be consistent with your disciplinary action procedures by enforcing your policies consistently across the organization. Absent an extreme or sudden issue, an employee who is being terminated should generally not be surprised by your decision within a documented and progressive system of discipline.

In Conclusion

When you consider the median judgment value of an employment lawsuit, along with the associated disruption in business operations that can last for months, or even years during the defense of such an action, it becomes increasingly (See Paul Bedard Page 27)



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apparent that your risk management strategy must address employment disputes. By proactively designing and consistently implementing the appropriate employment practices, particularly when it comes to hiring, training and terminating employees, you will greatly mitigate your potential exposure to employment claims.

The next article within this risk management series will address medical emergencies. I will share some current industry statistics in this regard, as well as relevant case law developments, in order to better prepare your club for these emergencies and to minimize your potential legal exposure following these events.

(Paul R. Bedard, Esquire, has nearly twenty years of experience in the health and fitness industry. As a practicing attorney, Paul's health and fitness industry operations experience provides him with a unique perspective when advising on or litigating matters involving health club contracts, policies, disputes or injuries. Paul strives to be active in his local community and has served on the Southington Zoning Board of Appeals and the Board of the Central Connecticut Regional Planning Agency. He also volunteers his time and fundraises for various local charities. Paul can be reached at pbedard@smddlaw.com)

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Is Your Organization's Culture Independent or Integrated?

By: Karen Woodard-Chavez

Part I

In your organization, do you have an integrated culture or an independent culture? Do this simple comparison, and it will become very clear to you:

Independent Culture:

- Individual preoccupation with your own tasks, lack of understanding, awareness of overview and others' contributions.

- In conflict, fingers are pointed at other group members and expectation is for a manager to solve issue.

- Suspicion and caution about what is said to not look stupid.

- Control forms the basis of management, group members "lend a hand" to get it done.

- Training is focused on short-term vocational skills to get the job done.

Integrated Culture:

- Members are aware of everyone's contribution to the end result and acquiring additional insight leads to better results.

- Team is the first and primary mechanism for accountability. Instead of talking *about* each other, they talk *with* each other.

- Everyone's comments and contributions are valued.

- Focus is on gaining commitment to goals, not just utilization of hands but of minds as well.

- Training is focused on collaboration, communication and trust, as well as vocation.

- If you are able to be truly objective, this comparison makes things quite obvious.

This is a great question to ask your management team and discuss whether your culture is truly independent or truly integrated. As you read through the

comparison points, it becomes clear which type of organizational environment is most desirable for operations. The benefits to being an integrated organization includes but is not limited to:

1. Allowing you to attract and keep the best people.

2. A framework to make mediocre people better.

3. A framework to move non-performers out faster.

4. An organization where people feel valued, and thus, have commitment to goals rather than compliance to goals. *Remember, when people are committed to goals, they will do whatever it takes to make them happen. When people are compliant to goals, they will only do what they are told to do when they are told to do it. There is not much thinking or acting on their own.*

Wow, does that minimize brain damage or what? Easy enough said, right?



Karen Woodard-Chavez

The next question is how do you transition from an independent culture to an integrated culture? To be clear, it is not an overnight process. It takes commitment, not just compliance, and it takes time. I've worked with organizations in my practice who began this journey two years ago and are just starting to see very worthwhile change. The key is getting started.

(See Karen Woodard-Chavez Page 30)

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- Ask my representatives to support PHIT
 - by sending a tweet through IHRSA's #PassPHIT Grassroots Campaign via the IHRSA 2017 App
 - by sending a letter through IHRSA's #PassPHIT Grassroots Campaign via the IHRSA 2017 App
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- Complete the Personal Lobbying Questionnaire at surveymonkey.com/r/PHIT2017
- Field calls from media about PHIT's impact on clubs and consumers
- Hold a Postcard Writing Event at my club
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The Art of Selling Memberships www.sellingmemberships.com/bookoffer

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...Karen Woodard-Chavez

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will own what, etc.

5. Plan on 2-hour discussions each month for the next six months, and you will begin to see a clearing in your organization that sets the stage for success.

In Part II, we will further discuss how to go from an independent culture to one that is integrated.

(Karen Woodard-Chavez is President of Premium Performance Training in Boulder, Colorado and Ixtapa, Mexico. Karen has owned and operated clubs since 1985 and now consults and trains staff throughout the world on sales, service, management and leadership. These services are offered on-site, online and through her books, manuals and DVDs. Karen can be reached at karen@karenwoodard.com or 303-417-0653)

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Thanks and Appreciation

At CLUB INSIDER, we are excited to begin our **24th 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 24-year run possible.

A very sincere **Thanks and Appreciation** go to **Rick Caro, Dr. Gerry Faust** and the **Faust Executive Roundtable #1** for helping me decide in 1993 what my home-based business would be. **Thanks and Appreciation** to my long-time friends, **Ron Hudspeth** and **Cathy Miller** of Atlanta's Hudspeth Report for the tremendous assistance they provided us during *our first eight years of publication*. **Thanks and Appreciation** to all of the folks at **Walton Press** in Monroe, Georgia. They've done an absolutely excellent job for us all these years and have printed every one of our **279** 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 23 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 24 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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THE OTHER SIDE**

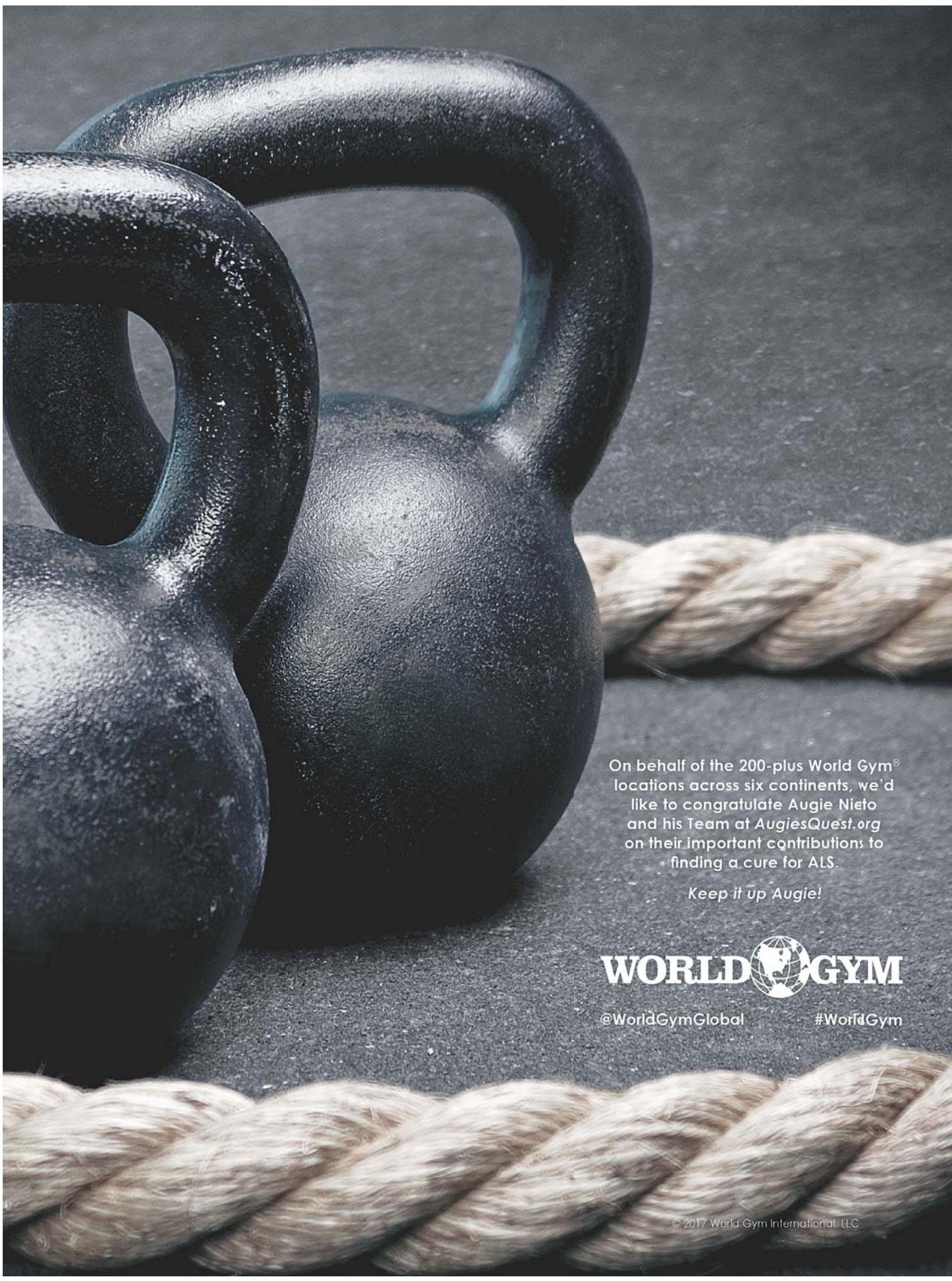
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On behalf of the 200-plus World Gym® locations across six continents, we'd like to congratulate Augie Nieto and his Team at AugiesQuest.org on their important contributions to finding a cure for ALS.

Keep it up Augie!

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