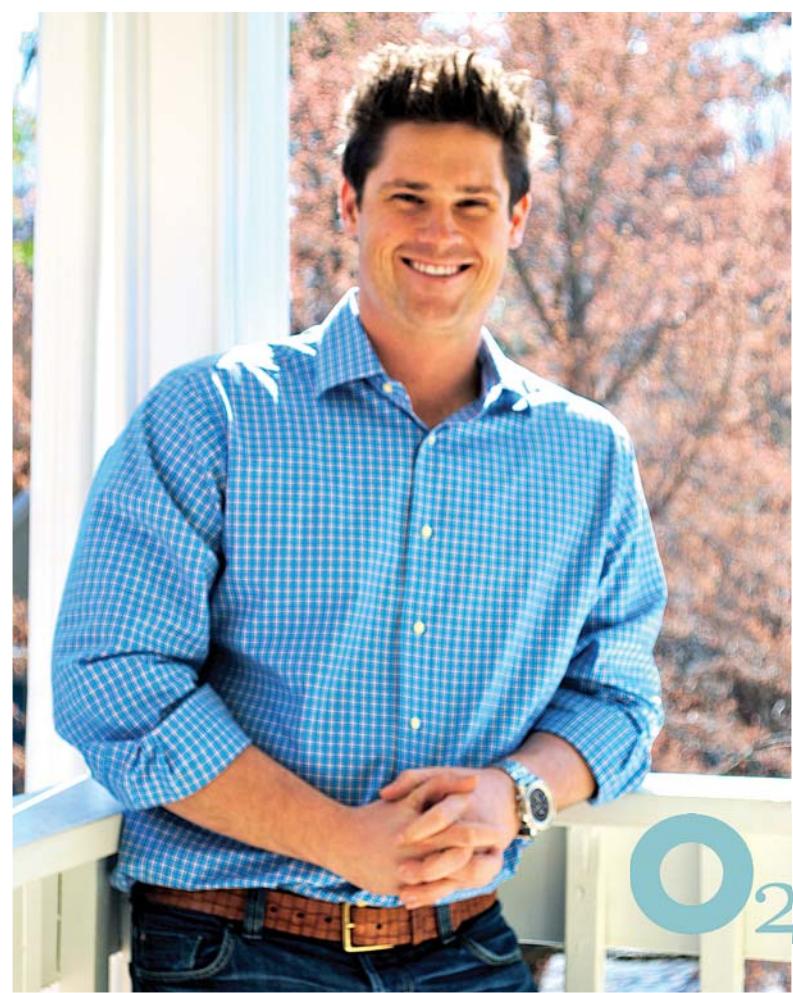


Norm Cates' **CLUB INSIDER**TM

The Pulse of the Health and Fitness Club Industry



Michael Olander

O2 FITNESS

Michael Olander *The O2 Fitness Experience*

JUNE 2014

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Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry

Michael Olander

The O2 Fitness Experience

By: Justin Cates

Think back a few years to the Great Recession. During that time, did your health and fitness club company thrive or merely survive? What did you learn during that time, and what would you change prior to the recession if you could go back? These are very important questions because, as history will attest, another recession will eventually come. Will you be ready? If the answer is, "I don't know," I hope the following cover story will help. Regardless of the answer, though, read on because the

story of Michael Olander and O2 Fitness is an exciting one and a *refreshing approach to fitness*.

This month, I am very excited to share a story about a young entrepreneur who is the founder of a company that is quickly rising to exciting heights. His name is Michael Olander, and his company is O2 Fitness. Remember those names because, if this is the first time you have heard them, it won't be the last. The interesting thing about Michael and his O2 Fitness brand is that one of the keys to the initial major growth of his company was the recession.



Before hearing from Michael himself, let's take a look at that.

Prior to the recession, Michael strived to keep his company self-financed with a strong positive cash flow. During the

recession, this cash flow and subsequent cash reserves allowed him to approach struggling club owners to take over their declining operations and let them walk
(See *Michael Olander* Page 10)

A 25th Anniversary Tribute to The STEP Company!

By: Norm Cates

*The STEP Company est. 1989 >>
Body Training Systems est. 1997 >>
MOSSA est. 2013*

Rich Boggs and Ray Irwin are the two great American entrepreneurs who brought the idea of The STEP to the world on June 19, 1989, marking the beginning of what has now been an amazing 25-year run for the Marietta, Georgia-based company.

The STEP Company and The STEP came from a series of *special events...* events, that had they not happened, would

have left a void in the health and fitness world that might have never been filled.

On June 10, 2014, I had the pleasure of sitting down with Rich Boggs and Ray Irwin who are also the founders and owners, along with Terry Browning, of Body Training Systems, now known as MOSSA, to recall the history of The STEP Company. While I was actually part of their story in the beginning in 1989 as a club owner/operator who was a customer of The STEP Company, I still find pleasure in recalling and retelling this great American success story... The STEP Company Story.

Recalling the events that led The



STEP Company to change the world of group exercise tremendously, I'm still very amazed and impressed with The STEP Company numbers that Rich and Ray shared in this fun interview.

Perhaps the most intriguing part of the story is the fact that Ray Irwin's

sons, Jack and Richard, loved to play with Legos. One night, Jack was playing with Legos on their living room floor and that triggered an idea in Ray's mind that they might be able to build STEPs from plastic. Ray took the idea to his partner, Rich
(See *The STEP* Page 24)

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24 Hour Fitness Has Been Sold - See Page #7

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- Industry Leaders Go Tribal at IHRSA 2014
- Teaching Healthy Lifestyles to Children is Fun With *Active from A to Z*
- And of Course, *Norm's Notes*

Norm's Notes

•Hello Everybody! This is your CLUB INSIDER Publisher and Tribal Leader Since 1993 checking in!

•Is America a *great county*, or what?

•A belated Happy Mother's Day and Happy Father's Day to all of you Moms and Dads out there. As I write this, today is June 15, 2014, Father's Day. Best wishes to all of you who are, or have been, dealing with the rewards, and yes, the *trials and tribulations* of parenthood. God bless you all... parents or not!

•Speaking of Father's Day, as the proud Father of JUSTIN CATES, I'm very happy to direct your attention to Page #6 for the writing by JUSTIN entitled: **The Evolution of CLUB INSIDER**. In that Part I article, Justin has announced some very exciting news about our expanded CLUB INSIDER Archive Library, which will be launched on July 1st. As of that date, our Archive Library will provide all of our Paid Subscribers unlimited access to 246 monthly editions of CLUB INSIDER containing over 7,500 pages that we've produced since December, 1993. A 1-Year Paid Subscription to CLUB INSIDER costs \$89, and it includes 12 new issues mailed to you and access to all 21 years of monthly issues, a veritable history of the health and fitness club industry. These pages include far, far more than 21 years of information

on our industry because of the extensive writing I have done on the history of our industry in our early days of publishing. This is an educational value that is hard to beat.

CLUB INSIDER has been fully digital for about eleven years now, but during our first ten years, I had to type every single word we published in CLUB INSIDER onto a floppy disk. I would then drive across town to deliver that disk and my handwritten layout pages to our then layout artist, the lovely CATHY BROWN of The Hudspeth Report. Getting the Internet going in this CLUB INSIDER operation dramatically changed my life because everything can now be done far, far more quickly each month. But, for our vast archive library to be **ALL digital**, that meant Justin had to scan over 3,500 pages by hand, one page at a time, so they could be viewed online in our library. So, Justin bought a large format scanner, and over the past six months, he's scanned all those non-digital pages! So, please do check out Justin's special article on Page #6 because it also includes a new paid subscription option that I think some of you will like.

•Today, I also want to write a *very special*, and *honestly*, a *very elated* CONGRATULATIONS to my friend of 40+ years, LYLE RAY IRWIN, one of the Founders of The STEP COMPANY, and MOSSA, f/k/a BODY TRAINING SYSTEMS. Ray has just survived a

serious bout with cancer of the larynx, and he informed me a few weeks ago that the operation on his throat was successful. He's finished his post-operation therapy and has been given an "all clear diagnosis" from his doctor, who told Ray he was now **cancer free!!!** Yahoo! God bless you, Ray, and your doctor, Dr. DREW LOCANDRO!

•More congratulations to Lyle Ray Irwin, and his long-time partner, RICH BOGGS, as they're celebrating the 25th Anniversary of their STEP Company! After 25 years, The STEP Company Team continues to provide our industry with one of the most durable and useful products there is anywhere: **THE STEP**. Check out the Article on Page #3, The STEP Company Ad on Page #25 and their MOSSA Ad on Page #31.

•For nine years, I've been pulling for, and trying to help my friends, AUGIE and LYNNE NIETO, as Augie has been dealing with and bravely fighting **ALS**, a/k/a LOU GEHRIG's Disease. We featured Augie, Lynne and their Family on our May, 2014 CLUB INSIDER Cover, and their story is an amazing and compelling one. That story has recently hit closer to home. In August, I'll travel to Rome, New York to attend the 50th Anniversary of my Rome Free Academy (RFA) High School Class of 1964. I played football



Norm Cates

at RFA, and I was honored to be Co-Captain of our Team with my pal, RICK HARRIS, and one of our teammates and friends was BRUCE TOWNSEND, whom all of us have called MOOSE all these years. Last week, Moose's brother RONNIE, an amazing hockey player, and also one of my good lifetime friends at RFA, called me to inform me that Moose had been diagnosed with ALS. This bad news brings this awful disease ever more closely to home, after pulling for, and trying to help Augie's Quest for the past nine years.

•Ironically, at the time of RONNIE
 (See Norm's Notes Page 7)

About Club Insider

Established in 1993

21 Years and Counting!

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“Insider Speaks”

The Evolution of CLUB INSIDER

By: Justin Cates

Part I

Welcome to **Part I** of an important 3-part article series that I am both proud of and excited to produce and bring to you. As you, our loyal readers know, we continually try to improve **CLUB INSIDER**, from ease of use in print and online to continuing to provide valuable content that can help the health and fitness club businesses you own and operate become better and better. Some improvements come unannounced, as many are minor. We take the *Red Lerille approach* and try to improve something *every month*, no matter how small; however, there are some big improvements coming in the next few months that we have been working on for a while. Today, we begin the process of sharing those improvements with you and announcing when you can expect them. Hold onto your hats!

The CLUB INSIDER Archive Library

This month, we are proud and excited to announce the **CLUB INSIDER**

Archive Library, the culmination of a 6-month project to bring 21 years of **CLUB INSIDER** editions, and essentially, the history of the modern health and fitness club industry to your fingertips online. Over the past 21 years, **CLUB INSIDER** has reported on the key events that have shaped our industry into what it is today and set the course for tomorrow. Coupled with this reporting, we have delivered in-depth case studies on key owners and operators throughout the industry. We have delved into who they are, how their businesses came to be and why they have succeeded in an industry that can be difficult for many. Additionally, we have consistently delivered Best Practices articles from hundreds of industry expert authors, and of course, every monthly edition of Norm's Notes has contained news and commentary nuggets found nowhere else! All of this has made **CLUB INSIDER The Pulse of the Health and Fitness Club Industry**, and soon, all of this will be at your fingertips online.

On **July 1, 2014**, the **CLUB INSIDER Archive Library** will be launched with a feature-set that makes finding anything you want to know about the health

and fitness club industry very easy. Every edition we have published will be sorted by year with an image of the cover for that edition. Upon clicking any edition's cover, an article list for that edition will be displayed. Any article selected from that list (by clicking on the article name) can then be loaded via our *eVersion system* or *downloaded as a PDF*. Of course, if you want to skim any edition in its entirety, that is an option as well, and we encourage it because every edition is always packed full of information you can use *today*. Of course, very importantly, you will also be able to search for any topic you wish by using our search system. Over time, this functionality will continue to be improved, and more and more information will be added as new editions of **CLUB INSIDER** are published and added to the archives.

At this point, you might be asking, “Why did you take the time to do this? What is so important about your archive library?” Our answer to that is simple: **The Key To The Future Is In The Past**. Mankind itself has shown how important history can be. Learning from history is the only way to prevent future reoccurrences of negative points of that history. In the case of our industry, our history was a rocky one, and we are still trying to move past the early issues we had with the buying public. We are still seeking to earn the public's trust, and once we do, we must strive never to lose it. The hard part is that it only takes one bad operator doing something illegal or unethical to undo great things thousands of honest and ethical club operators have worked to achieve. *Trust, and the benefits that come with it, are that fragile.*

In **CLUB INSIDER**'s history, we have been consistent in studying the best operators in our industry and bringing their stories to you. We have not always gotten it right, and when we fail, we admit our mistake and strive not to repeat it. But, for the most part, our track record has been stellar, and there is so much to learn from these veterans and legends of our industry. We have also done our part to rid the industry of bad apples that can wreck things for us all by reporting on what they are doing and how it can damage our industry. We believe that self-regulation is crucially important to our future; therefore, we “**Tell-it-like-it-is**” when it comes to exposing dishonest or unethical operators messing with the future of our industry.

Looking towards the future, a new breed is now beginning to inherit the industry, myself included. As we teach our children the history of our heritage so they may function in society and make it better, we must do the same for the next crop of operators who will lead this industry into the future. This is occurring *now*, and we hope one of the education tools for those



Justin Cates

leaders of tomorrow will be the **CLUB INSIDER Archive Library**.

Subscribe to CLUB INSIDER Today

To close this article, we are excited to announce that full access to the **CLUB INSIDER Archive Library** is included with every **Paid Subscription** to **CLUB INSIDER**! You have read that correctly; with every **Paid Subscription** (\$89 for one year of new editions; \$149 for two years of new editions), full access to the **CLUB INSIDER Archive Library** is included. Yes, all 249 monthly editions to date (7,500+ pages, 3,000+ articles and 250+ authors) will be accessible online to paid **CLUB INSIDER Subscribers** beginning **July 1, 2014**. Finding something anywhere with this kind of value will be hard to beat!

Announcing the \$10 Monthly Subscription

Speaking of a really great value, we are excited to announce a new subscription option that will be added to the two listed above: Our new **\$10 per month** subscription option. For the first time ever, on **July 1, 2014**, you will be able to subscribe to **CLUB INSIDER** at a monthly rate of **\$10!** Now, more than ever, it is time to subscribe to **CLUB INSIDER**. There will now be more information than ever for you to implement to take your health and fitness club business to the next level and an equally incredible price per month to do so! If you have Netflix, you have to have **CLUB INSIDER**!

• • •

Stay tuned for our **August 2014 Edition**, as **Part II** of this article series will be published, making another exciting announcement about **The Evolution of CLUB INSIDER**!

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24 Hour Fitness Acquired by AEA Investors, Ontario Teachers' Pension Plan and Fitness Capital Partners

SAN RAMON, CA - 24 Hour Fitness USA, Inc. announced that AEA Investors, a leader in the private equity industry; Ontario Teachers' Pension Plan, Canada's largest single-profession pension plan and one of the world's largest; and Fitness Capital Partners, a fund organized by Dean Bradley Osborne and Global Leisure Partners have completed their acquisition of the Company from Forstmann Little & Company.

24 Hour Fitness also announced that Mark Smith will join as Chief Executive Officer, and Frank Napolitano has been named President.

"I'm honored and delighted to lead 24 Hour Fitness, which has pioneered so many breakthroughs in the fitness industry, into the next chapter of the company's success," said Mark Smith. "I'd like to thank former owner Forstmann Little for its strategic guidance of 24 Hour

Fitness through a period of solid growth and former CEO Elizabeth Blair for her execution through the acquisition. Our new owners are firmly committed to supporting a strong, sustainable future, and I look forward to working with 24 Hour Fitness executives and team members whom I have come to know as a talented and intensely motivated team."

Smith and his family will relocate from Australia, and he will take office in

July. Until then, the Office of the CEO has been established and will report to the Board of Directors for 24 Hour Fitness. The Office of the CEO comprises Frank Napolitano; Danny De La Rosa, President of Clubs; and Patrick Flanagan, Chief Financial Officer.

Terms of the transaction were not disclosed.

...Norm's Notes

continued from page 4

TOWNSEND's phone call to me about Moose's diagnosis of ALS mentioned in the previous Note, I'd been planning to announce a new alliance with Augie's Quest... stimulated by MIKE GRONDAHL's comments to me in our cover story last month and his generosity with a \$250,000 donation to Augie's Quest. This will be an alliance with two big parties I produce here in Atlanta every year for about 500 of my closest friends through my Norm Cates'

Special Events organization. On August 19, 2014, I'll produce The 27th Annual GREAT Characters of Atlanta Party, an annual event I inherited fourteen years ago from my great friend of nearly 40 years, RON HUDSPETH. Ron was a popular Atlanta Journal Constitution Newspaper columnist for years, and he's the man I credit for the format for these monthly Norm's Notes that many of you readers have told me over and over that you really look forward to reading every month (Thanks Ron for this ALL CAPS and BOLD format I copied from you!). And, last month, on May 20th, I produced

The 9th Annual LEGENDARY Ladies of Atlanta Party.

I've produced these two parties each of these fourteen years for one reason only: Simply for the *FUN* of it! As many of you CLUB INSIDER readers for 21 years know full well, I've been publishing small little ads since Day One that say "Make It FUN!" In case you've not figured it out yet, I've published these little "Make It Fun!" ads every month in our 246 monthly editions for one purpose... and that purpose was, and continues to be, to remind each of you that for *real* financial and *spiritual* success in your club(s), no

matter what country on this good Earth your club business is located, if you make a *real* and *true* effort to "Make It Fun!" in your clubs **for your members**, and yes, **for your employees**, you'll **prosper financially**, and yes, **spiritually**. So, here's a little tip for each of you. If you are not producing a monthly **Member Appreciation Party** every month in every single one of your clubs, then you're missing the boat. I produced hundreds of Member Appreciation Parties over the years in my clubs, and I promise you that these monthly special events, should you decide to make the small time and money investment to produce them, will provide you with far more in *new business referrals* and *member retention* than you'll invest to produce them.

Now, back to the subject at hand. I'm pleased to announce that I'm going to link my two special parties here in Atlanta to Augie's Quest, and I'm going to give my friend, MIKE GRONDAHL, full credit for this decision. (Check out Mike's ALS Ad on our Outside Back Page). After I thought about Mike's wise comments in our cover story last month, I concluded that I could not hold back anything within my power, and I'm going to go ALL-IN with all of the tools I possess to help AUGIE and LYNNE NIETO Win The War On ALS! Stay tuned folks as I'm also working on a *national rollout* for my GREAT Characters (of Atlanta Parties - GCAs) and LEGENDARY Ladies (of Atlanta Parties - LLAs), which will all tie back into, and flow directly to Mike Grondahl's efforts, which will then flow directly to Augie's Quest's benefit. I'm even going to help you start these fun GCA and LLA Parties up in your own town if you want to. Mike has helped me move in the direction I needed to go with this, and I want you and your clubs to be ALL-IN, too! I know Augie and Lynne are going to Win The War On ALS, and I will not rest until they do! Stay Tuned!

The IHRSA Institute is to be held August 5-8, 2014 at the Rizzo Conference Center, located on the campus of the University of North Carolina in Chapel

(See Norm's Notes Page 8)

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...Norm's Notes

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Hill. The Institute is the Next Generation of Professional Education. For over twenty years, IHRSA has provided industry-leading education to over 1,000 health club management professionals through the renowned IHRSA Institute. Alumni attest that education received at the Institute pays unsurpassed dividends for years to come. Many of the most successful industry executives, including *members of the IHRSA Board of Directors, are counted among the distinguished list of IHRSA Institute graduates.* The IHRSA

Institute is where leaders learn to manage more effectively. Three full days of graduate-level education led by a faculty of industry experts and university professors will provide a balanced curriculum that covers every aspect of club management. The Institute will feature small class sizes designed to facilitate interaction and foster long-term peer networking. Students will be provided with valuable management tools and publications developed by IHRSA. Real-life examples and in-depth conversations with faculty and students, in the classroom and beyond, will immerse participants in the skills necessary to successfully run a club.

About the Curriculum: The course of study was developed over several months based on feedback from Member focus groups and surveys. An Advisory Group, consisting of industry leaders who have served as Institute or college faculty, reviewed the results of this research and guided the development of the curriculum.

Who Should Attend the IHRSA Institute?

The Institute is an exceptional learning and network-building experience for:

- Individuals who are new to the health club industry as managers and/or owners;
- Individuals who have been promoted from within to a new management position;
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- Individuals who are developing a new club;
- Individuals who have attended in the past and want to reenergize professionally.

For more information about the Institute, go to: www.ihsra.org.institute.

• **IHRSA's Global Report** has been mailed to all **IHRSA Members** along with the **June edition of CBI Magazine**. **Non-members** may also purchase the Global Report by going to www.ihsra.org and clicking on: **Resource Center**.

• The upcoming **Club Industry Show in Chicago, October 22-24th**, will have a big event happening on **Thursday, October 23rd at 9:15AM**, the presentation to our friend, **Big JOHN McCARTHY**, with the **Club Industry Lifetime Achievement Award**. So, if you can be there, I know John will appreciate your presence and support as he's honored.

Beyond that event, the **Keynote Speaker at Club Industry** this year is **GERRY O'BRION**. O'Brien is a speaker, author and business coach who's built his career growing billion dollar brands. Now, he teaches big brand strategies to companies of all sizes. His techniques can help your business grow regardless of your budget. O'Brien began his career in marketing at **Procter & Gamble**, working with brands such as **Crisco, Tide, Mr. Clean, and Spic & Span**. Next, he managed **Coors Light**. He was then **Vice President of Marketing** for **Quiznos**, and was most recently **Vice President of Marketing** for **Red Robin Gourmet Burgers**. His **Business Blueprint** workbook includes twelve simple exercises that help businesses compete like the big guys. For a preview of this exciting speaker, go to www.whatbigbrandsknow.com/video.

Beyond Big John's honor and Gerry O'Brien's keynote speech, I want to give a hats off compliment to the Club Industry folks as it looks like to me that they've recharged and rebuilt the educational component at the conference to bring it back to what it was like in the days when our friend, **HOWARD RAVIS**, was in charge, which in my opinion, were the days when the Club Industry educational component was at its best ever. **Save the Dates! Book your airfare while it's priced right! Book your hotel! Check out the Club Industry Ad on Page #29 of this edition. And, Stay Tuned!**

• A couple of institutional investors have purchased **24 Hour Fitness** for what's been estimated as **\$200 million more** than what **MARK MASTROV** sold it to **TED FORSTMANN's company, New York**

(See Norm's Notes Page 16)

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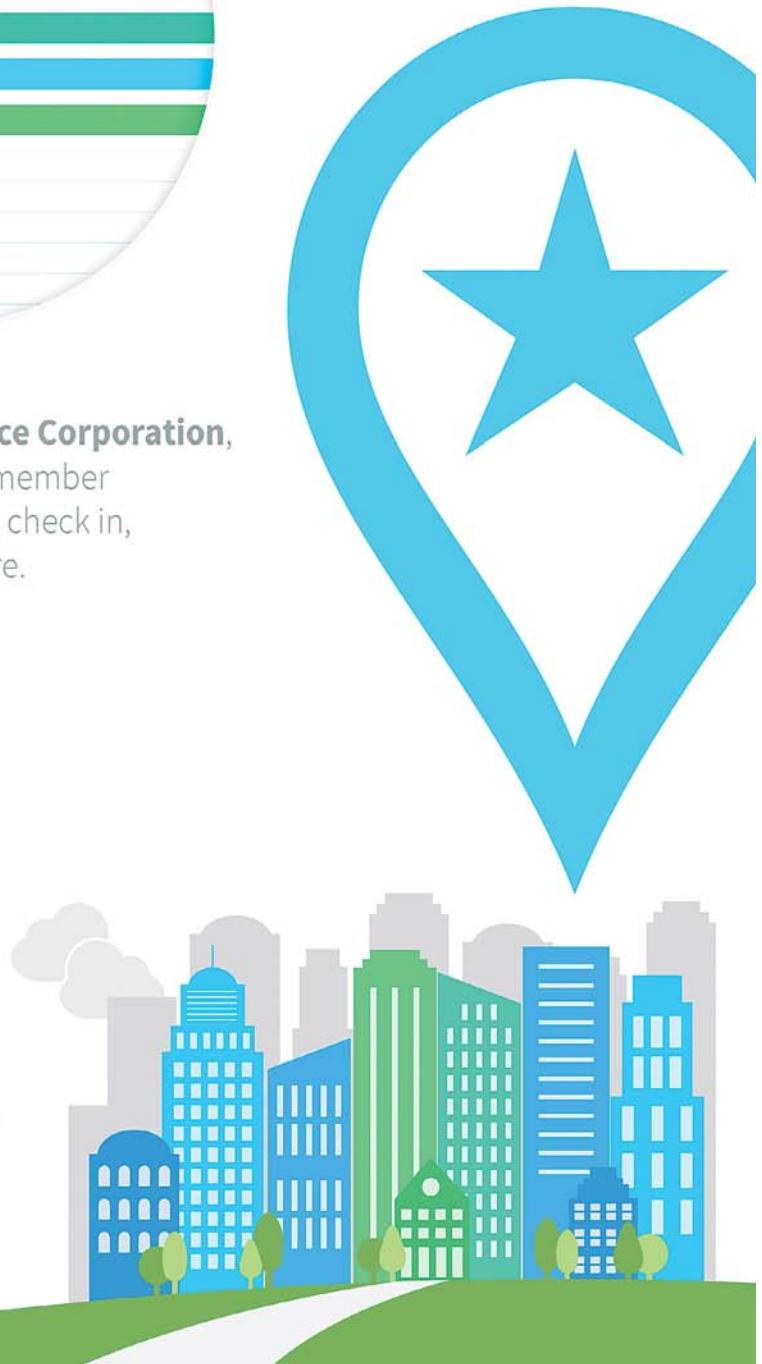
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...Michael Olander

continued from page 3

away with lighter losses than would have occurred otherwise. Michael and his team became turnaround experts, completing an acquisition every six months or so. Over time, this converted to more members providing more revenue across a steadily growing chain of clubs. This led to the next phase of growth.

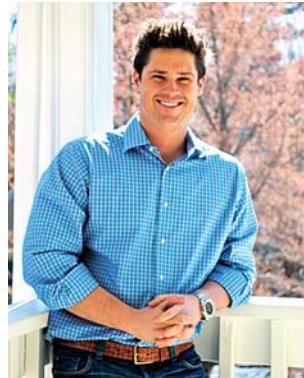
Instead of taking on an equity partner or several to fuel the next phase of growth, banks liked what they saw in the company. They were the solution for Michael, leaving him with 100% ownership of the company but with the funds needed to make a major move. In September 2013, O2 Fitness acquired the 12-location East Shore Athletic Club chain, doubling the company's size and vastly increasing its membership base. In the twelve years since the company's founding, and coming off a recession that took many businesses out, O2 Fitness now operates 24 locations, 20 of them being acquisitions, all with the same key differentiator: *The O2 Fitness Experience*.

So, this brings me back to the original question... During the recession, did your company thrive or merely survive? This time around, what things would you do differently? I invite you to read on to see how Michael and O2 Fitness did it and what can be learned from their experience. Along the way, you will also learn about O2 Fitness' *Refreshing Approach To Fitness*, the *O2 Fitness Experience* and a different way to look at the future. Read on and enjoy!

An Interview With Michael Olander

CLUB INSIDER (C.I.) - Please tell us about yourself. Where are you from? Where did you go to school? Did you play any sports?

Michael Olander (MO) - I am from Raleigh, North Carolina. I was born, raised and grew up here. I played lacrosse and



Michael Olander

wrestled in high school, but I was not that great and enjoyed my time in the gym the most. So, when I went to College of Charleston in South Carolina, my athletic focus was on fitness.

C.I. - What was your business background before getting involved in the health and fitness club industry?

MO - None. I was in college.

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

MO - Fitness had made a really big impact in my life. I was overweight growing up until my junior year of high school. That's when I got into fitness and sports a little bit more. It really changed my life and how I felt about myself. Through college, I worked on getting my certification and just thought of different ways to approach the industry. I traveled a little bit and saw a bunch of different models. I thought I could create something unique and more of a boutique-style facility.

C.I. - Please tell us about the founding of O2 Fitness in 2002.

MO - The first club in Raleigh, N.C. was really just a personal training studio with some additional amenities. It was about



O2 Fitness Lobby (Brennan Station)

8,000 square feet. There was a lot of personal training, but it had memberships as well. So, it was really a blend between a fitness club and a personal training club. The club itself was in the basement of a shopping center. It was underground, but we tried to create a unique, boutique feel, rather than a traditional big-box or white vanilla space with a bunch of equipment.

C.I. - How did the O2 Fitness name come about?

MO - The original idea, before we ever opened a club, was to hyper-oxygenate the air. So, there would be a higher concentration of oxygen in the air than there would be in a regular building or even outside to boost athletic performance. It was more of an idea, and the name had been registered when it came time to build the club, so it just kind of fell by the wayside for a variety of reasons. But, the name was there.

Over the years, it has kind of developed into the idea of a *refreshing approach to fitness*. For many years, our tagline was, 'Finally, refreshing fitness.' We stopped using that about five years ago, but we still believe that. It's a different, refreshing take on fitness, outside the norm.

C.I. - You have since steadily expanded, adding numerous locations. Please take us through that progression.

MO - Not too long after that first club opened, we opened a second studio in Chapel Hill, North Carolina. It was even smaller, and we actually called that one Studio² Fitness. With the support of the landlord there, we expanded that one to a

slightly larger club. It never became big, but it was our first club after the original. We built the next club in Cary, North Carolina, and it was more along the lines of a full-service club. It wasn't big, not more than 13,000 square feet, but it was well thought out and properly designed. Then, we went to Wilmington, North Carolina for another 13,000 square-foot club.

We proceeded with those four for a couple of years and didn't really do much more until the recession. Right when the economy was at its peak, we had signed a lease for the relocation of the original club, which has since become what it is now, about 27,000 square feet. We were lucky enough that it wasn't a brand new club. We were in an okay position when the economy turned really bad, so we weren't left out to dry. We had a solid draft base because we'd never really sold paid-in-full memberships. When the economy did go south, this put us in a good position.

A lot of the other operators in the market that had been selling a lot of paid-in-fulls no longer had any revenue coming in. We were able to essentially acquire these clubs, one by one, just through cash flow. Rather than adding on debt or taking on equity partners, we took what we were making in the other clubs and used it to acquire low performing competitors. For a couple of years, our model was to be able to let someone with a club that was losing money just walk away. We know they had put their passion into it, but for some reason it didn't work. We thought we could make it work. So, they got the benefit of never having to write a check for the losses again, and we took on that responsibility with the idea

(See Michael Olander Page 12)



O2 Fitness Cardio Floor (Hanover)



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...Michael Olander

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that we could turn it around. Our cost was essentially how much the club lost until we made it profitable. We got pretty good at turnarounds. In a quick succession, we did five or six deals. Between the 2008 - 2012 period, we did one every six months or so.

Then, what happened was that, when the economy came back and people started buying fitness again, real growth opportunities came about. We had essentially no debt and owned the company outright without any partners. When we got to that point, we had the basis to actually get real debt and loans, instead of having to take on private equity for future expansion. We could work directly with the bank instead of taking on equity partners, so it has enabled us to expand and maintain 100% ownership.

C.I. - Please describe your typical facility (size, amenities, services, programs, etc).

MO - Between all the clubs, it varies greatly, just by the nature of them being mostly acquisitions. Out of our current 24 full-service clubs, we have only built four of them. The other 20 were acquisitions. What we build now, our model for going forward, is about 30,000 square feet. We have a large group exercise program, usually with 3 - 4 studios between group exercise, mind/body, cycling/spinning and functional. We have large cardio areas and large on-the-floor functional areas. We always incorporate an indoor turf area. We have small group training like TRX, Boot Camp and multifunction cages. We believe our members want a great hospitality experience, so we put in really nice, comfortable locker rooms; good, welcoming lobbies and a variety of amenities throughout. We also offer child-watch services.

C.I. - Please tell us about your membership. Do you have an enrollment fee? If so, what

is that and what are your membership rates? How many total members do you now have and across how many accounts?

MO - We do charge enrollment, and it varies by market and the type of membership. The enrollment fee and processing combined ranges \$50 - \$99 a membership. Our membership rates also vary. I would say our average rate is about \$49 a month. If you include all of our clubs and studios, we are at about 60,000 members across approximately 35,000+ membership accounts.

C.I. - What are your key market differentiators?

MO - We talk about this in terms of experience. When we discuss things internally, we ask, 'How does this change or affect the member experience?' What we try to do is create a lot of different experiences, rather than just look at it as one club, like a big-box. We still try to think in the underdog mentality in that we want to provide different things for the members to do at all times. We want to have numerous touch points of interaction. Whether it be at the front desk, personal training, small group training, mind/body... What we are looking to do with each facility is to provide a lot of different experiences within the club... Kind of like a club full of experiences, any one of which will draw people together at the club. We hope this will make the members look forward to coming back.

We have really tracked this studio progression we are seeing in the market, with Yoga studios, cycling studios, Barre studios, CrossFit boxes... What we try to do is provide each of those experiences, both separate and as a whole in each club. But, with a full fitness club attached! With that value proposition, you can pay significantly less than you pay at a hot Yoga studio, but you get hot Yoga and everything else, the traditional offerings of a fitness club, which include the cardio, weights, locker rooms, child-watch, etc. But, you



O2 Fitness Group Exercise Studio (Cary)

get your hot Yoga experience, your Barre experience, your functional experience or a killer cycling class. When we talk about it, we ask, 'What is the right fit for every member, and how do we provide these different experiences from both a fitness standpoint and from a member standpoint?'

Recently, we have been really focused on our O2 Rewards program. That has been a huge thing for us over the past year in terms of experience and ROI. It is provided through a company called Perkville, and it provides members an opportunity to feel more involved and feel like they are accomplishing things while working out. We don't tie it to something like revenue. We tie it to some actionable fitness items: checking into the club or visiting a certain number of times in your first 30 days. We all know that, if they are not coming in their first 30 days, they are probably going to be lost as a long-term member. We really want to involve them in the beginning, so we give additional rewards for doing so. The great thing is it creates a community, and the rewards themselves are generally items from our logo gear shop or partner companies. They are excited to build up points, work out, bring friends in and receive rewards, which is great because they buy into the concept even more. They get these rewards, such as a gym bag or t-shirt, so they then become a walking advertisement. That has been important for us, but it goes back to experience being a differentiator.

We want our members to come in, and we want them to evidence change. We want them to be happy, frequent users. Lots of high volume clubs don't necessarily want all their members coming in all the

time. We want people to come in, have an amazing experience and tell their friends about it because we truly believe that is the path to growth and retention. Within every market we are in, there are operators that are bigger than us, offer more (racquetball, basketball, pools, etc) and charge a half to a third of what we charge. We aren't going to compete on that. We are going the opposite direction. When other operators are lowering their price to compete with the low-price operators, we are actually in the process of going through another price increase. We like to stick to that because we are never going to compete on price. It is not a winnable game for us. We are about experience.

C.I. - In September 2013, O2 Fitness acquired the 12-club East Shore Athletic Club chain. How did this come about?

MO - I went to college in Charleston, South Carolina, so I was familiar with East Shore from my days there. I had a pretty open line of communication with the previous owner, so we would touch base now and then. It took a while for both parties to really feel each other out. When we got to a level of comfort. We started building the deal. We recognized certain items that were important to the seller and hoped they recognized items that were important to us. We really feel like we created value for both sides in bringing this deal together. For us, it's just another expansion of our footprint, and we look to continue to do deals like that, where we can pick up a market.

In the Charleston market, our closest competitor has three clubs, and we

(See Michael Olander Page 14)



O2 Fitness Spinning Studio (Cary)

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...Michael Olander

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have a dozen. That was certainly appealing to us, and it gives us the opportunity to build upon that and create value for everyone involved: the selling party, our company and also the members. We wanted to go in there and bring them what we call *our experience*.

C.I. - What is the plan for those clubs? Will they be fully integrated into O2 Fitness or continue to operate as before?

MO - Right now, they are still branded as East Shore Athletic Clubs. That brand has been in that market for 20 years, so it has brand equity that O2 Fitness doesn't have. People know the East Shore name down there. Internally, if you look at the marketing in the clubs and what the members see, it says 'East Shore Athletic Clubs Powered By O2 Fitness.' So, we are starting to introduce that name. Over the next 18 months, we are going to look at rebranding them, but for the time being, we are running as East Shore. Rather than spend the money on signage and new marketing materials, we would rather put that money back into the clubs and improve the physical plants instead of other things that don't really provide any benefits to the members.

C.I. What are the major ways you have connected with the communities in which your clubs reside? Are there key things your clubs are known for in their respective communities?

MO - We view community involvement as a key part of who we are. In addition to giving out well over \$250,000 in free membership time to local charity fundraisers, we regularly host fundraisers of our own, from cycling challenges to Zumbathons to raise money for the community. You

can also find us at most runs and fitness-related events in our markets, offering free stretch and fitness clinics. We also hold complimentary outdoor classes for members and nonmembers alike in most of our markets.

C.I. - Who are your key staff members?

MO - All 1,600 of our team members are key!

C.I. - Who have been your key influences as you have expanded your knowledge and experience in the health and fitness club industry?

MO - In the industry, I am lucky to be on a roundtable with a great group of operators who constantly provide highly constructive feedback and some great ideas. Outside of the industry, I am very thankful for all I have learned from both my parents, each very successful entrepreneurs in their own right. My fiancé Jessica (and bulldog Gus) at home help me remember that it isn't all about work. Sometimes, just stepping away for a minute and clearing your head can provide answers and new insight.

C.I. What do you focus on personally in your club business?

MO - It is my job to ensure our team members keep an attitude of continuous improvement and are pushed towards that every day. I have the opinion that we are not making bad decisions or mistakes if we have an idea that is well thought out and planned but for some reason does not succeed. The mistake is not trying to evolve or try new things that make us better.

C.I. Looking back, please describe some of your company's biggest successes and/or challenges to date. What are some opportunities and challenges ahead?

MO - Our biggest successes have been taking underperforming clubs that we



O2 Fitness Lobby & Sitting Area (Cary)

acquire and turn around. There is an inherent challenge in that as well. Our largest challenge right now is continuing to develop an atmosphere, programming and experience that competes with the current studio trend.

C.I. - Is O2 Fitness a member of IHRSA? If so, what benefits do you experience from the Association?

MO - All of our clubs, across both brands, are members of IHRSA. We think it's great. We love what the Association is trying to do for our industry. One of the key benefits we get right now is certainly the Club Passport, but there is a lot of great education as well. One of the internal pushes for our team this year is to really focus on education and learning best practices. My team went out to IHRSA this year and attended some of the great presentations and the great trade show. We want to stay ahead of the curve, and we get a lot of that information from IHRSA.

C.I. - What does the next five years look like for O2 Fitness?

MO - We try not to speak in specific terms. What we have found is that when companies say, 'We are going to build 20 clubs in the next five years,' when they don't do it, they fall back a little bit; or perhaps they do it, but it wasn't the best idea as they just felt that pressure. So, we don't speak in specifics. What we talk about for the future is that *every day, we get better*. Our goal is that, every day, for the next five years, we will get better.

C.I. What does the health and fitness club industry need to do to become more successful? What can you do to help it get there?

MO - The market has become pretty segmented, with traditional big box, low-price operators and studio models each continuing to grow. I think we need to all remember we have the same goal, to operate a business that brings health and wellness to our communities and work together towards that.

• • •

Thank you very much to Michael Olander for his time interviewing with me for this story. And, a Special Thank You to Katie Jackson of French | West | Vaughan for her time and help coordinating behind the scenes. Stay tuned next month for another informative **CLUB INSIDER** Cover Story!

*(Justin Cates is the President and Assistant Publisher of **CLUB INSIDER** and grew up in the health and sports 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 which doubled as **CLUB INSIDER** Headquarters. He has lived and breathed this industry for 29 years, since his own day one. 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)*



O2 Fitness Lobby (Falls Ridge)

The Connection Between Employee Love and Profitability

By: Stephen Tharrett and Mark Williamson

In the quest for sustained business profitability, employee empowerment has become a topic of significant discussion and commentary from some of the brightest minds in the business world. Employee empowerment has been a foundational block of business success that has been espoused by leading business minds for decades. Not until recently has it garnered such luminary status and become a form of "Holy Grail" for businesses desirous of distinguishing themselves in the vast karaoke business environment of the 21st century.

In the mid-1990s, a groundbreaking article in the *Harvard Business Review*, entitled the "Service Profit Chain" set the stage for the current focus on creating a workplace environment that engendered employee loyalty (love). In that groundbreaking article, the authors demonstrated that profitability, especially great profitability, could be traced back to a loyal employee workforce. The authors demonstrated businesses that were able to engender employee loyalty by creating an empowered workplace environment tend to have greater customer loyalty, which in turn, was directly linked to above-average profitability.

Fast forward to the January, 2012 issue of the *Harvard Business Review*, and front and center was a series focused on the value of employee happiness to organizational profitability. The cover of the magazine even says, "The Value of Employee Happiness: How Employee Wellbeing Drives Profits." The gist of this series was that organizations that establish a positive workplace environment where employees thrive not just survive, will ultimately lead them to greater profitability. These thriving employee environments are those in which employees express a high degree of loyalty to the organization, what some might refer to as employee love.

At our former company, the leaders often referred to the most loyal employees as "bleeding green," referring to the colors of the organization. It was seen as incredibly valuable, something our founder, former chairman and CEO, continually espoused and recognized over a period of 40+ years at the helm. He, like other great leaders, recognized that the sustainable success of the business

was highly dependent on a passionate, committed and loyal employee team. So, how do we create such a business climate for their workforce? How do club operators and owners engender employee love and create a thriving and empowered workforce?

According to the authors of the articles on employee happiness and empowerment in the above-mentioned issue of *Harvard Business Review*, several attributes stood out:

- First was providing employees with the opportunity to contribute to decision-making. It appears that employees at every level of an organization thrive when allowed to contribute to decision-making.

- Second, employees thrived when information was transparent. Employees are able to succeed when they have access to information, especially information that allows them to truly understand how their work fits within the scope of the entire organization.

- Third, work environments where employees respected each other and incivility was minimized, productivity increased. It seems that, when employees are disrespectful of each other or when employees point fingers, gossip or treat others with less civility, productivity drops like a stone in water.

- Fourth, feedback is essential, especially feedback that is constructive. It does not mean that all feedback has to be positive, but it does have to be honest, objective and constructive.

In addition to the aforementioned attributes, thriving workforces also involve an environment in which employees feel valued, where they feel they have the opportunity to grow and develop and where teamwork is the norm, not the exception.

The question begs asking, "Does employee love and a thriving employee workforce have application to the club industry, and if so, what do industry employees say drives their commitment and loyalty?" Back at the turn of the most recent decade, our firm did extensive work looking at what the employees of one large and successful international company indicated was important to their thriving,



Stephen Tharrett



Mark Williamson

and in turn, bleeding so to speak the company colors. Our research identified several key factors that seemed to have the greatest impact on employees embracing the culture of the organization, of taking pride in their employer and indicating they loved their job. The leading influencers of employee loyalty or love in this company were:

- Trust in management.** Employees indicated that trusting management (e.g., senior leaders and supervisors) was critical, and far more impactful than even fair compensation. In probing further, we discovered that employees held back trust until they felt that management demonstrated trust and respect in them.

- Sharing ideas with the supervisor.** Employees expressed a high degree of value in being able to share their ideas with management, and consequently, having management demonstrate sincere interest in those ideas.

- Participating in goal setting.** Employees valued being able to assist in setting goals for the business, but more importantly, for themselves. They did not value it when they were told what to do with no input into the goal setting.

- Empowered to make decisions.** Employees across the board expressed how important it was for them to be able to make decisions on their own and for management to trust them when they made decisions.

- Receiving feedback and recognition.** The employees indicated that, when they received constructive feedback, as well as positive recognition, it drove empowerment.

- Knowing their work is important to the organization and valued by management.** Employees across the board indicated that, when management made it clear their work was important to the organization, and that their efforts were truly valued, loyalty and performance went up.

- Having the opportunity to grow and develop.** Professional growth opportunities, having the chance to learn, be mentored and given opportunity to take on new responsibility was vital to loyalty.

In our research for this company, the employee groups who expressed the highest levels of love for their job, pride in belonging to the company and a willingness to refer others to the company were those who also rated the above mentioned factors as being met. It seems, at least in this case, that the principles behind employee love and a thriving work environment in the club industry parallel those in other industries.

(Stephen Tharrett and Mark Williamson are the co-founders of ClubIntel, www.club-intel.com, a brand insights firm. Together, they have over 50 years of experience in the club and hospitality business. They can be reached at stevet@club-intel.com and markw@club-intel.com.)

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...Norm's Notes

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based FORSTMANN/LITTLE about eight years ago. See the **Press Release** on Page #7.

• Congratulations to GENE LaMOTT, former IHRSA Chairman and long-time industry pro, has announced that his group, Total Woman Gym + Spa, will open a new 13,000 square-foot flagship club in **Westlake Village, California**. The full-service gym and day spa will open its doors in **July**, and the facility will offer an expansive exercise floor featuring state-of-the-art equipment line-up, all with personal viewing screens as well as three group fitness studios, hot yoga, group cycling, Pilates, Zumba and more. Additionally, members will have access to a full-service spa offering a variety of treatments, from massage and facials to Reiki and reflexology. A relaxation room, steam room, dry sauna and spacious locker rooms with private dressing areas and VIP lockers will also be available. LaMott commented, "We eagerly anticipate the opening of our flagship Total Woman Gym + Spa in Westlake Village and are excited about the overwhelmingly positive impact it will have on our new and existing members, as well as the larger community. We urge women to visit the presale

office to learn more about our newest wellness facility and the empowering opportunities it will provide." Check out www.totalwomanspa.com.

• JAKE SCHELLENSCHLAGER is a 14-year old weight lifting phenom who was brought to my attention by ANI ISTANBOULIAN, account coordinator of the DOG and a DUCK Agency who represents World Gym. World Gym has named Jake as its **Youth Fitness Ambassador for 2014**. In 2013, Jake set a deadlift record of 300 pounds, which was more than twice his body weight. The feat earned him the nickname "The Wonder Kid." At last year's **2013 IPA Strength Spectacular**, Jake broke four world records for his age division. He recently won first place at the **2014 USPA Eastern Regional Powerlifting Open**, where he also set four new U.S. records for his age and weight class! Jake has been featured in **The Washington Post**, **The Atlantic**, **Muscle and Fitness Magazine**, **In Touch Weekly**, and now, **CLUB INSIDER**.

• I want to say congratulations to SUZANNE CYPERT, long-time General Manager of The Concourse Athletic Club here in Atlanta, as they hosted **America's Military Veterans** for a "Meet The Veterans" Day on Sunday, May 25th of Memorial Day Weekend. The

Concourse Athletic Club is one of the top clubs in the Southeast, and Suzanne has been a dedicated General Manager and has done a great job for many years at The Concourse Athletic Club for my pal **ED WILLIAMS' Wellbridge Corporation**.

• The **Federal Drug Administration (FDA)** has announced a "Tanning beds rules change," and that was the headline on the **May 30th** edition of **The Atlanta Journal Constitution** report produced by the **Associated Press** and authored by **MATTHEW PERRONE**. So, if you own and offer tanning beds in your clubs, you might want to check into these rule changes if you haven't already. **Google: Tanning beds rules change**, and the report should pop up for you.

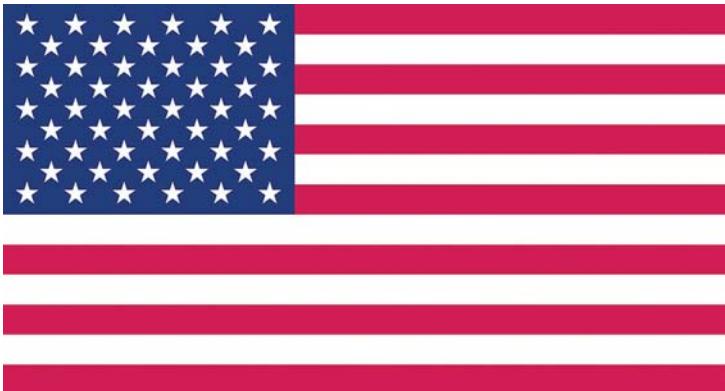
• There's a new fitness center in my neighborhood called **IRON TRIBE Fitness**. I live in **East Cobb County, Georgia**, a/k/a **Marietta, Georgia**, a suburb of Atlanta. East Cobb is a bastion of affluent subdivisions heavily populated by **IBM and Delta Air Lines** employees, and our county can rightfully brag that it has some of the **best schools in the United States** because it does. Iron Tribe's direct mail piece arrived in my mailbox boasting that they're a *different kind of health club operation...so different that they say they're even going to limit their membership to*

300! So, I'm going to keep an eye on this new fitness center, particularly on how their plan to limit total membership to a maximum of 300 members works out. **Stay Tuned!**

• **Terrific fitness industry icons, leaders and contributors** to the health and fitness movement worldwide, **PETER and KATHIE DAVIS**, Co-Founders of the **IDEA Health & Fitness Association** based in **California**, have invited you and your staff to join leading business owners, managers, program directors and fitness pros from around the globe at their **2014 Idea World Fitness Convention**, **August 13-17th** in **Anaheim, California**. Via this invitation, **they've offered \$100 off the full registration** price for you and your staff with code: **IHRSCA14**. To register go to, www.idea-fit.com/fitness-conferences/idea-world-fitness-convention.

• **I know that the following is not club-oriented**. So, if you don't want a little dose of American history, then quit reading now, but it's a segment of American history that all of us, especially the youth of our country, need to know. So, since I own this newspaper, I've chosen to share this with you folks with hopes that you'll pass it on to our kids who're not being taught true American History in their schools these

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...Norm's Notes

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days and to any member of **The Greatest Generation that fought in World War II**. The day that I'm writing this is June 6, 2014, and it's the **70th Anniversary of D-Day**, the amazing day when more than **160,000 Allied troops** landed along a 50-mile stretch of heavily-fortified **French** coastline, to fight **Nazi Germany** on the beaches of **Normandy, France**. **U.S. Army GENERAL DWIGHT D. EISENHOWER**, who later became **President of the United States**, called the operation a crusade in which, "**We will accept nothing less than full victory.**" More than **5,000** ships and **13,000** aircraft supported the **D-Day invasion**, and by day's end, the **Allies gained a foothold in Continental Europe**. The cost in lives on D-Day was high. **More than 9,000 Allied Soldiers were killed or wounded**, including the more than **4,500 American soldiers who were killed and are buried right there in Normandy**. Their sacrifice allowed more than **100,000 Soldiers to begin the slow, hard slog across Europe, to defeat Adolf Hitler's army**.

Well, for those of you who may know someone who doesn't know what D-Day is, just tell them this... Tell them that D-Day is a very important day in American and World History because it was decided on that day that citizens of the United States of America, and countries around the World, would continue to speak English, or their respective languages, instead of German, which would be the language in America and around the world had these brave soldiers failed. The next time you're feeling down, and any negative thoughts come to your mind, just take a minute to think of these brave men and women who gave you and me our freedom to be in this sometimes great struggle called life in America. Without these men and women of what has been called **The Greatest Generation**, there's a clear chance that many of us would not be here at all. And, to any and all of the brave men who might

somehow get a hold of my writing here, please pass this on to them for me with Thanks, great Appreciation and Love, telling them it's from **one very grateful American to my Heroes, the members of my Dad's Greatest Generation**. Tell them **Thank You, kind Sir(s)**, for saving our beautiful America and countries around the globe from Hitler and his killers. Thank you also for the sacrifice you made for a free America along with your friends, some of whom didn't make it. **God bless you all**. And, doggone right. **America IS a great country!**

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• **God bless all of our troops, airmen and sailors and keep them safe. Thank you, Congratulations and Welcome Home to all of our troops who have served in Iraq, Afghanistan and around the world. God bless our troops lost on D-Day. God bless you and your family, your club staff, your members 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 21st 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)

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Summer is the Time to Focus on Member Retention!

By: Deneen Laprade

Summer time in the fitness industry is notoriously slow for some club operators. Most of us are just delighted to see the sun and will prioritize time outdoors over just about everything else. So how do you, as club owners and operators, deal with this challenge? Focus on *Member Retention!*

It's quantifiably more efficient, productive and mutually beneficial to both club operators and club members when the two form a long-term relationship. In the business world, retention is defined as the ability to keep workers or customers from leaving a company. Clubs are advised to use these slower summer months to develop systems and processes to achieve retention rates that support growth. June, July and August are ideal months to do so.

Fortunately, the path to improving and maintaining your member retention statistics are easily woven into the fabric of your club culture. View your retention strategies as opportunities to create a dynamic that supports members personal goals, improves the likelihood they'll make referrals and encourages them to invest their time and hard-earned money into other areas

of your club.

There are a couple of key statistics we all know, or should know, as it relates to member retention. The first is the critical "First 90 Days." When a new member joins your club, you need to pay close attention to him in the first 90 days of his membership. This is the incubation period of new habit development. During this time, the new member is open to new ideas and is very motivated to change his lifestyle. As a club operator, you must have systems in place to nurture this member into becoming a long-term supporter of your business. Another number to factor in with the above is "eight monthly visits." Members who visit less than eight times per month have an increased likelihood of quitting.

New Member Integration - Beginning with those critical first 90 days, take a look at how you can better integrate this new member into your business. Develop a system of regular contact with each new member. Vary the methods and the staff responsible for each. Start by mailing a handwritten thank you card from management within 24 hours of joining. Schedule a needs assessment with a trainer, introduce him to your group fitness instructors and bring him into the room to

have him actually try the equipment. Aside from in-house efforts, there should be a series of emails and phone calls over the remainder of those first 90 days that encourage participation, provide useful information and makes him feel welcome, comfortable and supported.

91st Day and Beyond - Understand the need to be in touch with all of your members at regular, consistent intervals. For many of us, the word "club" is integral to the business name and identity. A club is a group of people sharing common interests and goals. They expect to be part of something bigger than themselves. Subconsciously, they want to be challenged to step outside of their comfort zones so they can experience new things and grow as a person. Support those efforts, and they will be loyal to you for a very long time.

Train your members to expect regular emails that inform, support and invite them to try new things. Develop a schedule that tells all about what's going on in the club this day, week or month. Deliver it in both digital and print formats. Require your staff to know about what's happening at all times. Trainers and instructors should be making regular announcements to their captive



Deneen Laprade

audiences. Front desk and support staff should be striking up conversations to make sure members know what's going on.

Keep An Eye On Member Usage - Remember that eight monthly visits is the minimum benchmark. Any member hovering around that number should be contacted to re-energize them to come back in. Very often, it's a matter of not adapting well to unexpected lifestyle changes

(See Deneen Laprade Page 19)

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...Deneen Laprade

continued from page 18

that throw members off their game. A shift change at work, school breaks for the kids or other distractions can be just enough for the *fragile eggs* in your membership to believe they don't have the time for themselves. Help them prioritize and show them it's not only possible, it's mandatory so they can meet their daily obligations with energy and a clear mind. Summer is an ideal time for usage challenges. Inspire and motivate members to visit a minimum of two or three times each week to earn points toward a prize. Another way to encourage usage in the summer is to offer free guest days for members. Choose the slowest day of the week, Monday - Friday, and allow members to bring guests for free. Members appreciate this, and you may generate a few leads, too!

Challenge Your Members To Try New Things - We are creatures of habit, and while there are often times when this is a good thing, there are probably twice as many reasons why it isn't such a good thing. Invite, challenge, tease, encourage and nurture your members to try new forms of exercise and equipment. Show them how to train safely through the variety you offer by hosting free and paid for challenges that promote this very thing. Invite non-members as free and/or paying guests to tackle a weight-loss or cross-training challenge alongside your current members. Mix up the fun and move group classes outdoors during the nice weather. Create a beach-themed series of classes for the day to keep folks in the summer frame of mind.

Engage Your Members Socially. Fitness is, for most, a social experience. Make the club almost as important to members as are their homes and workplaces by hosting social events that support member interaction and relationship development. Summer is a great time for a member pool party and barbecue! Engage your members in simple ways. One of the easiest things I did when running a club was to put up a chalkboard with daily inspirational quotes. We had members posting pictures of the board on Facebook and sending them to friends and family. It was so easy, and we quickly learned that members looked forward to reading and sharing the quote of the day. It encouraged interaction with staff from some folks who normally didn't have too much to say. Acknowledge birthdays, anniversaries and member achievements. A simple "Happy Birthday!" phone call can truly make someone's day. Dedicate an area to featuring member fitness achievements that will inspire others, as well.

During the slower pace of summer make time to engage your members; make them feel welcome, appreciated and part of the group throughout the life of their membership. Reward them for being your member and encourage them to make referrals. Develop systems that support these efforts, and you will create a sense of community and belonging that we all crave. The bonus is that it pays dividends to your bottom line, too! (Deneen Laprade is a Marketing Coach at Susan K. Bailey Marketing & Design, and can be reached at 888 - 349 - 4594.)

You Want Me To Do What?

A Quick Look At The Top 3 Personal Training Killers!

By: Ron Alterio

There isn't a club or studio owner out there that doesn't realize how critical it is to drive more Personal Training (PT) revenue in today's hyper competitive markets. The days of making profits simply from membership dues have been extinct for years. Moreover, in most markets, you not only have a smaller prospect pool than ever before, but you also run the risk of losing your existing customer base to emerging fitness solutions.

Bottom Line: You either must find ways to get more people involved in your PT services or close your doors; it's that simple.

Ironically, even in today's hyper-competitive industry, when the stakes have never been higher, clubs continue to employ outdated modalities when it comes to selling PT services. In the past, when clubs were profitable simply selling memberships, no one really questioned the way PT was sold. As long as someone said, "yes," and there was non-dues revenue coming in every month, no one really challenged the process. However, continuing to use some of the older outdated sales strategies are not going to cut it for the more educated and sophisticated consumers. In fact, consumer behavior buying patterns have shifted so far in recent years that the traditional modalities for selling PT are now considered sales barriers. Today's consumer is used to being in control and wants variety. They also want solutions that are customized, quick, convenient and affordable. In short, it is, and has been for a

while now, a *buyer's market*.

As such, let's examine the three most common and outdated PT offerings that prohibit revenue growth and member penetration in today's customer-driven markets.

1. Paid-In-Full Packages - I don't know anyone that pays for major purchases in full any more. Most significant or solution-based buying decisions are now made based upon what monthly payment the consumer perceives he or she can afford, not the total price of the product or service. If you want to sell more training, you need to limit your paid-in-full offerings and structure your pricing so that it can be paid for with installments on a weekly, bi-weekly or monthly basis (otherwise known as an EFT recurring revenue model). Some additional benefits of structuring your payment process in the above manner include: greater frequency/usage per month, greater retention rates and lower loss rates.

2. 60-minute Sessions - We have to stop telling/selling people what we want them to do and spend more time listening to what they want to do. If we did, we would hear that one of the biggest obstacles to getting involved in *ANY* fitness solution is **TIME!** Most people do *NOT* want to spend a full hour with a trainer. They want to get in and out as fast as possible. As such, to make PT more attractive to a larger audience, you need to eliminate entry barriers like time and make it less intimidating and more convenient to get involved; 30-minute sessions are ideal. Some additional benefits of offering more condensed training

periods include: more total members being serviced and greater profits per hour, better earning opportunities for trainers and overall stronger margins.

3. Relying Solely On One-to-One Training - Small Group Training (SGT) is all the rage, yet as an industry, we can't seem to get out of our comfort zone. Granted, and for the most part, clients will get better results when they have their own personal coach over time; however, we know the consumer, many times, prefers to work out in groups. When priced correctly, SGT can also be a more affordable option. As such, if you want to attract more clients, you need to offer a common ground and not force a one size fits all mentality on your audience. The layered pricing approach works best. Meaning, you need to have multiple options (one-to-one and SGT) available and need to be able to clearly communicate and recommend those options based upon the specific needs of the consumer.

When done correctly, you should be able to sell 50% - 70% of all prospects who experience orientations/assessments with you in your club some form of paid programming. However, keep in mind, the layered approach is *designed to attract more total customers*. If positioned incorrectly, and not communicated properly, layering can and most likely will, cannibalize your existing one-to-one audience. Some additional benefits of offering multiple PT menu options include: greater increase in the new member on-boarding process, greater overall member penetration and protection of EFT draft by shifting more



Ron Alterio

seasoned one-to-one clients into SGT.

As you can see, driving significantly greater PT revenue is more than just getting a "yes" and collecting cash. In order to survive, you need to closely examine every moving part of your business model and make sure it is aligned properly to both the consumer's needs and the business' objectives.

Bottom Line: You need to ensure that your offerings are affordable and include convenient payment methods. You need to make sure that you can offer a great solution in a quick and efficient manner. You need to position your offerings so there is something for **EVERYONE!**

(Ron Alterio is the National Sales Director and PT Business Coach for the Visual Fitness Planner. If you need help with any aspect of your PT business, he can be reached at 717-645-3899 or ron@vfp.us)

Industry Leaders Go Tribal at IHRSA 2014

Publisher's Note: As promised, here's a quick summary of IHRSA's Global Leadership Summit held in San Diego in March at IHRSA's 33rd Annual Convention.

• • •

SAN DIEGO, CA - Dave Logan, Ph.D., co-founder and Senior Partner of Culture Sync, addressed industry leaders on the topic of his book, *Tribal Leadership*, during the Global Leadership Summit at IHRSA 2014 33rd Annual International Convention & Trade Show.

Logan defines a tribe as a group

of between 20 and 150 people, which he says is the basic building block of human effort. Noting that the quality of our tribes determines how much work gets done, he said that 75% of tribes in the work setting are dysfunctional.

Logan identified 5 stages of tribes:

- Stage 1:** Life Sucks;
- Stage 2:** My Life Sucks;
- Stage 3:** I'm Great;
- Stage 4:** We're Great;
- Stage 5:** Life's Great.

Twenty-six percent of tribes fall in the first two stages, 49% in stage

3, 24% in stage 4 and 2% in stage 5. He identified steps we can take to move from stage 4 to 5:

- Find every person's values, using open-ended questions.
- Speak in terms of shared values, as when George Washington said, "We all want freedom and independence."
- Build triads: 3-person relationships where each one is responsible for the quality of the relationship between the other two.
- Ask, "What do our values say we should do about _____?"

Logan commented that Phil

Jackson, legendary former coach of the Chicago Bulls, attributed the team's consecutive championship wins to their journey from thinking "I'm great" to thinking "We're great."

IHRSA's Industry Leader Council members were invited to the session. Members contribute funds to ensure that IHRSA, as the sole protector and advocate for the health club industry, has the financial resources necessary to protect fitness clubs against harmful legislation and taxation and to keep the fitness industry at the forefront of health promotion and wellness policy.



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Calling All Personal Trainers *Life Fitness Begins Its Search for Top Global Trainers*

ROSEMONT, IL - Life Fitness, one the top global leaders in commercial fitness equipment manufacturing announced its call for nominations for the world's best *Personal Trainers to Watch*, in partnership with the International Confederation of Registers for Exercise Professionals (ICREPs), EuropeActive, Life Fitness Academy and the American Council on Exercise (ACE). Now, in its fourth year, the *Personal Trainers to Watch* program recognizes and rewards elite trainers around the world who embody the same passion and commitment to the profession as Life Fitness. Nominations will be collected throughout the month of July, and the top 10 finalists will compete in a live global competition this fall to determine the winner.

"The 2013 *Personal Trainers to Watch* program earned worldwide support and recognition, with nearly 1,500 entries from personal trainers in 43 countries," said Chris Clawson, President of Life Fitness. "This year, we continue to expand the reach and impact of the program, and

we look forward to finding those trainers who share our passion for enhancing the profession's growth and success."

Exercisers, personal trainers and gym owners alike can visit www.lifefitness.com/personaltrainers between July 1 and July 31, 2014, to nominate a personal trainer who supports a powerful vision, exemplary commitment to enhancing client experiences and pursues continuing education for mastery of the profession. Nominees also will be judged on leadership, client motivation, inspiration and previous recognitions. Ten finalists will be invited for a final round of judging where they will be immersed in popular training techniques incorporating the Life Fitness Synergy360, a state-of-the-art functional training system.

All finalists will receive an expense-paid trip for final evaluation, continuing education course credit from Life Fitness Academy, international recognition and a personalized award plaque.

The grand-prize winner will

receive \$5,000 USD toward his or her personal training business, international media recognition as the global 2014 *Personal Trainer to Watch*, continuing education course credit from the Life Fitness Academy, personalized award plaque and a 1-year subscription to PTontheNet.

The *Personal Trainers to Watch* program will be judged by six esteemed fitness industry experts:

- Alexis Batrakoulis** - Member of the Standards Council of EuropeActive;
- Richard Beddie** - Chair of ICREPs and CEO of Fitness New Zealand;
- Anthony J. Wall** - Director of Professional Education for ACE;

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- Joanne Blackerby** - 2012 *Personal Trainer to Watch* winner and owner of Spirit Fitness Training in Austin, Texas
- Kim Ingleby** - 2013 *Personal Trainer to Watch* winner and Founder of Energised Performance in Bristol, England;
- Chris Clawson** - President of Life Fitness.

Finalists will be announced in the fall, and the top *Personal Trainer to Watch* will be announced globally following the live event later in the year. To nominate a personal trainer and to view official program rules, visit www.lifefitness.com/personaltrainers starting July 1. Nominations are limited to one entry per person; however, trainers can be nominated by multiple people.

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...The STEP

continued from page 3

Boggs, the next day.

During our conversation, Rich and Ray shared the trials and tribulations they experienced getting The STEP rolling and how it boomed in popularity once it went to market. At the end of the interview, I will close this Special Tribute with a sincere Thanks to these two great American entrepreneurs! Read on!

**An Interview With
STEP Company Founders,
Rich Boggs and Ray Irwin**

CLUB INSIDER (C.I.) - Guys, tell us about how The STEP came about?

Rich Boggs (RB) - Ray, who was my partner and CFO of our seven health clubs, brought the idea to me on June 19, 1989, which just happened to be my birthday. So, I remember that day pretty well. I came to the office, and Ray said 'Come in... I've got an idea.' By that time, I'd been listening to Ray's marketing ideas for 13 years, and he was zero for 13 years. So, I said, 'Okay.' At that point, we were building wooden

boxes for people to step up and down on in various sizes (6", 8", 10" and 12"). Ray said, 'I was watching my son, Jack, playing with Lego blocks last night, and I've got this idea for an adjustable step.' And, I said, 'That's a freaking home run!' That was the last day that I worked in the club business at all. Ray, how about filling in more memories here...

Ray Irwin (RI) - We'd been building these wooden boxes to use as steps. We called it STEP. Gin Miller had been doing some classes they called 'Bench Blast' at a gym down the road, and we did the same thing.

RP - Gin was the one that had the concept but not the product.

RI - The gym where Gin taught closed, and we took in their members at our Sportslife Club in Marietta, Georgia. As those members started coming in, they immediately started asking for the 'Bench Blast' classes. At that time, Rich and I had been in the business for 13 years, and we didn't have any idea about what they were talking about. But, we met with Gin and found out what it was. We felt it



Long-time Friends, (L to R) Rich Boggs, Norm Cates and Ray Irwin Enjoying Lunch in Marietta, Georgia

was interesting, so we built some wooden boxes out of plywood that were 6, 8, 10 and 12 inches high, and we painted them different colors.

RP - The first class was at the Marietta Sportslife Club, and an instructor and good friend, Mary Brown, and I taught the first class. It was packed with 75 or 80 people. If I recall correctly, we ran out of STEPs. Then, we began to have arguments because people couldn't get the size STEP they wanted.

RI - There was a problem. What happened was, because they were stepping up and down --kind of like running stadium steps and lifting their body weight-- although it might look nice to have the big red 12" STEP, a few minutes into the class, they would realize that they needed and wanted a smaller STEP. So, we didn't have the right mix; you never have the right mix for what size people want. So, that was one of the big obstacles we faced.

RP - Most people wanted an 8" or a 10" STEP, but with packed classes, many would end up with a 6" or a 12" STEP. So, it *really* was a problem, and people were cuing up an hour before class. Since this was the first vertical program in group exercise that had been introduced, people were doing something totally different. Rather than dancing on the floor, we were stepping up and down, and that led to all kinds of new movements.

RI - About half way into that first month, I took the class. Immediately, I saw a number of interesting problems. One was not having the right height STEP. We had

this beautiful club with these unattractive wooden boxes that did not look that good. Also, they would get slick after sweating on them, and when you would step on them, they might tip in the wrong direction. There were all kinds of potential problems that I saw with the boxes. I actually went home and woke up at about 2AM with the idea based on watching my son's, Jack and Richard, playing with their Legos. I just knew this was the way to properly accommodate large numbers of participants. So, that next day, I went in and talked to Rich about it, and that was it.

RB - For the first 12 months, we dealt with a lot of manufacturing problems. That was *so important*. We found a company that did a great job for us that had experience with both design and manufacturing. It was critical that the product was safe, durable and looked great.

• • •

C.I. - So, a sleepless Ray Irwin brought The STEP idea, generated from watching his sons play with Legos, to you, Rich, on June 19, 1989. How long was it before you guys made your first STEP?

RI - By October of 1989, we had built the prototype STEP, we had filed for initial patents and Rich and I took the prototypes to the Club Industry Show in Chicago and started taking orders.

RB - We had to drive up there from Atlanta because the prototypes weren't ready in time to ship them. They were hot off the press.

(See The STEP Page 26)



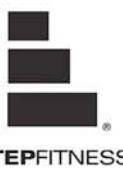
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...The STEP

continued from page 24

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C.I. - What was the response?

RB - It was phenomenal! I was doing some very simple demos, sweating and taking orders! All we knew how to do was Up - Up and Down - Down. It wasn't too exciting, but people got the idea. People kept coming to our little booth asking, "What *IS* this thing?"

RI - People would come, and they would look at Rich stepping up and down. They'd look at it, shake their head and ask questions like, 'How do I get some? How much do they cost?' We wrote a lot of orders at that first show, and then, when we got back home, we said 'Well, I guess we'd better make some of these!'

RB - There was another little detour that came along. It was early August that we finally got the design working. Gin Miller was on Reebok's Demo Team. So, I showed her what we had created and told her that, if she could get us in to Reebok, we'd work a deal out since the whole concept was her idea. And, she did. My first trip to Reebok was late September, early October, and I met with a number of their people. My contact became one of their in-house attorneys. We were getting manufacturing prices to determine what The STEP would be sold for. We had the theory that The STEP would be just like a race car having as many slots on it as possible so we could put sponsor's logos on it because of the number people who were going to use and see it in health clubs. So, we ended up with space for four sponsors. We ended up putting The STEP on two of them, and we had two for Reebok.

This was one of the most difficult negotiations, and it lasted until January 20th, when we finally signed the deal with

Reebok. They wanted a royalty, and we said no because it was going to increase the price too much for the clubs. We continued to stress the amount of exposure Reebok would receive. We stressed they were in the shoe and clothing business, and to go with active wear shoes and clothing, this would be a home run. Finally, they got into it, and we got a license-free deal with Reebok. Their name on it gave us exposure and the credibility we needed, and our distribution to health clubs gave Reebok tremendous exposure to the ideal consumer for their products. Well, we had everything done. We had manufacturers and orders to begin making the product, but we had to decide whether or not to put the Reebok name on it in December. Since the negotiations were not concluded until January 20th, we were adding inventory daily with a warehouse full of STEPs with Reebok's name on them, but we didn't yet have a deal with Reebok! They came back and said they weren't going to do it. We walked away from the deal a couple of times. For us, this was a very high-risk negotiation!

• • •

C.I. - Well, history shows that you guys made it happen!

RB - For a year, we were back-ordered as much as three to four months because people really wanted The STEP. And, we weren't even into the retail business at that time!

RI - Norm, because of the size of The STEP and the fact that it's a large plastic product, it had to be produced with a mold. Each set of molds could only make a certain number of STEPs per hour. You could run 24 hours a day, 7 days a week, but you could only get so many parts out of that one mold. What we saw was that, as the demand was exceeding the capacity of our molds, we had to order more molds,

which weren't cheap. So, we went through the process of ordering more molds several times to try to get enough production to meet the high demand that we had, and even then, we had a hard time keeping up with the demand. It took us quite awhile to get enough production to be able to do that.

• • •

C.I. - Well, as one of your earliest STEP customers, I can personally attest to the popularity of The STEP in my clubs. People just loved it, and we were acquiring STEPs as fast as we could afford to pay for them.

RB - We had the same thing, except it was worldwide. It hit big internationally, too. David Giampolo was one of our first agents in the United Kingdom and expanded throughout Europe.

C.I. - How many countries is The STEP in?

RB - Virtually anybody in the world who's owns a health club, but I'm not sure of the exact number.

C.I. - How many clubs have you sold to and installed The STEP since the beginning?

RB - We estimate that we're in over 20,000 clubs. There were very few clubs in the United States that didn't have The STEP.

C.I. - How many STEP units would you estimate that you've sold since the beginning?

RB - 8.5 million.

• • •

C.I. - Well, checking out www.thestep.com, I notice that you've included all the support merchandise that a club operator would need: barbell and dumbbell sets, storage racks, mats, DVDs, etc.

RB - Well, that aspect of the business was slower because we then went into retail distribution, which caused the explosion of sales for The STEP. Many club owners did not recognize the power of retail done correctly could drive people into clubs. That's the way it works... People want to say, 'Can I do this at home? Am I okay doing this? This is new to me, and I don't want to make a fool of myself.' There are lots of people that this doesn't bother. Most people in health clubs are early adopters anyway. They are comfortable with how they look, how they move and their ability to accomplish new challenges.

RI - We were just starting to get caught up with the club business when we got a phone call from the Spiegel Corporation. They

wanted to put The STEP announcement in every Christmas order.

RB - This call came in February, 1990. We had just launched The STEP in January, 1990. Once we'd signed the deal with Reebok on the 20th of January, which was for the health club industry only, since we would not pay Reebok a royalty. Reebok wanted to feature The STEP at the Super Show in Atlanta, which was fine with us, and it was one of the hot items of the show. The Spiegel buyer called me a few days after the Super Show ended and asked what was the price of The STEP for a retailer like Spiegel. I told him we were only selling to health clubs right now, but we would get back to him the next day. So, over a 24-hour period, we developed a 2-tier pricing system for retailers. When I called him back and he said he planned to feature the product in 800,000 flyers that will go with their Christmas orders, we were thinking that we couldn't keep up with the demand at that time. But, we had more than six months to solve that problem. So, then, we had to go to Reebok to see whether they wanted to play in the retail market at no royalty. Well, that was a real conundrum for them because they felt they must have a royalty for use of their very valuable brand. The royalty would translate to approximately \$30 more on the retail price. So, Reebok passed. They said we could use Reebok for the club market but not in retail. We told them no problem, and we changed the colors to differentiate The STEP in retail from the health club product. That was the beginning of the end our relationship with Reebok. It was very challenging.

• • •

C.I. - How have The STEP classes changed over the years?

RB - They got more complicated immediately because, in the beginning, it was **UP, UP, DOWN, DOWN, KNEE UP, KNEE UP**, and we had about 12 million people doing STEP classes every week in the early days. The instructors got bored teaching it, so they started making classes more complicated. The zenith occurred as things got more complicated. Guess what happened... The market shrank. People said, 'This is too complicated. I can't do it.' They didn't go to the parking lot and burn cars. They just went away, and that's exactly what goes on in many health clubs today where they are running instructor-created classes only. People don't say, 'Oh, you've made these classes too complicated

(See The STEP Page 28)



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Teaching Healthy Lifestyles to Children is Fun With *Active from A to Z*

BOSTON, MA - When Jay Ablondi, IHRSA Executive Vice President of Global Products, was reading to his daughter Elle, now 3 1/2, he noticed there were plenty of alphabet books but not necessarily many that had a message of exercise.

That gave him an idea. Or, actually, it sparked an old idea that had been shelved for more than five years.

Ablondi and Stan Tran, IHRSA Association Management Systems Administrator, had started working on a children's book in the late 2000s but put it on hold due to time restraints and the recession. With his new revelation, he went to Tran and set a deadline to finish, and publish, the book.

Active from A to Z, IHRSA's first foray into publishing a children's book, just became available for purchase this week. The 56-page publication is full of bright illustrations by Tran that complement Ablondi's rhyming about animals being active and accompanying fun facts.

"I feel I have good editorial instincts, but I never thought myself as a writer or author," said Ablondi, who oversees IHRSA's magazines and reports. "I know how hard it is to write a book and know how much talent it takes."

"This is more of an idea that took on a life of its own. It became easy to do because I have (now) immersed myself in early children education books. It (then) just flowed."

Tran is no stranger to drawing as he is the man behind IHRSA's CBI magazine cartoon, "Out of Shape." Tran said the two are not too different as he often features animals in the monthly strip.

"I think there was a smooth transition. The book and cartoon have the same art style and both involve animals," said Tran, who also has a comic strip for

From Scratch pet food.

IHRSA dipping into the children's book pool shouldn't be too surprising. Part of the organization's mission to help provide solutions for the growing obesity epidemic and dearth of activity by both adults and children. So, a book that IHRSA envisions will get kids interested in exercise with their parents' participation fits in perfectly.

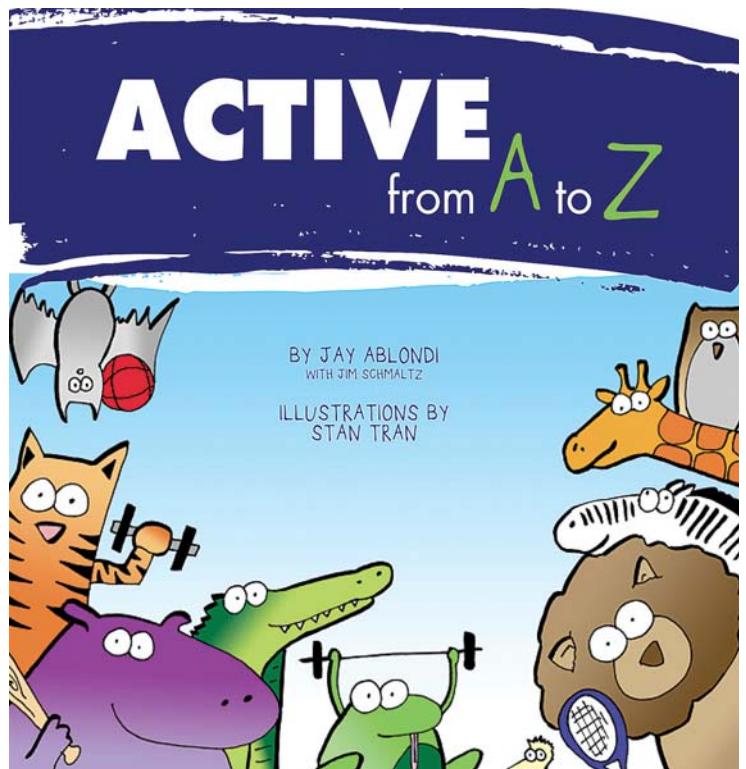
"This book will introduce them to other sports. Kids and parents need to understand that exercise needs to be part of their lives," Ablondi said. "The idea of the book is to help parents understand that not everything is sitting in front of a computer screen and watching TV. They can do new sports like racquetball or skateboarding over time, so why not expose them when they are first learning?"

With bears playing baseball, cheetahs on cycles and elephants on an elliptical machine, children will be introduced to new animals, physical activities and exercise equipment.

Conveniently, another part of IHRSA's mission is to help grow the industry and its member clubs. Those reading the book now could easily be future members of IHRSA clubs.

"For our industry, the idea is that it is never too early to instill healthy exercise habits," Ablondi said. "Most of the millions of health club members in the world are adults. Many health clubs may not cater to kids, but they can convey the message to parents to instill exercise habits and *make it fun* to exercise at an early age. They want their children to live healthy lives and what better way than to have exercise be part of their daily routine?"

IHRSA Associate Member, Helix, creator of the Lateral Trainer, decided to sponsor the book. President Lenny



Snyderman said the book struck a chord with him and that is why he decided to have Helix be a part. He said he feels kids these days don't heed the words he often heard as a child: "Go outside and play."

"Today, we see less and less of kids exercising with limited freedom due to safety concerns as well as the growing dependence on 'electronic' activities," Snyderman said. "I was very pleased to see someone taking the time to write about children and fitness while utilizing the power of IHRSA to raise a subject that

really needs more focus in our country."

Jim Schmaltz, Editor of IHRSA's Get Active! magazine, and Samantha Cuozzo, Designer for CBI magazine, contributed to the book.

"What better time than this Summer to get the word out that it's never too early to teach kids that Fitness and learning can be fun," said Joe Moore, President and CEO of IHRSA.

To purchase the book, please visit the www.ihsra.org/active-a-to-z.

...The STEP

continued from page 26

for me, and I don't enjoy them anymore. They just quietly go away. They just quietly pay their money until their contract is over, and they go away.

RI - The STEP classes have changed quite a bit over the years. But, The STEP is also used in so many other classes as a supporting role in a lot of classes. It gets incorporated in so many classes that are not really STEP classes, but they use The STEP as a prop during the classes.

• • •

athletic program that still uses The STEP, but it's all athletic movements. That has re-energized The STEP because it did need a face-lift after all these years. We had a lot of people that have been around for 25 years, so what we've done is to bring that into the future by making it an athletic program. People have seen great responses from participation with an increase in male and younger members while retaining the devoted 'steppers.'

C.I. - A wrap-up question here. What do you have to say about the *future of The STEP*?

RB - As Ray said, we're using The STEP in some way in four of our nine programs.

RI - I believe that The STEP has become *ubiquitous* in clubs everywhere (present, appearing or found everywhere).

RB - What a good word, Ray!

C.I. - How do you spell that? Haha!

RI - When you're building or upgrading a club anywhere, if you're including a group exercise room or area, you're going to want to have The STEP on your list for your club. Half of MOSSA's classes employ The STEP, so you want it on your list if you're a MOSSA Club. Even the recent leaked video of President Obama exercising in a hotel health club in Poland, there was a STEP in the picture! **The STEP is definitely a product that's going to be around for a long time!**

C.I. - I want to take this opportunity to close this interview with a **Special THANK YOU to Rich Boggs and Ray Irwin**. I'm saying Thank You to Rich and Ray, not because they've been advertising The STEP Company and Body Training Systems/MOSSA in CLUB INSIDER every

month for over 15 years, but because, had it not been for them, and a third party, our partner in Courtsouth, Fred Streck, I would not be sitting here writing this special **25th Anniversary Tribute to The STEP Company**! So, Thank You Rich, Ray and Fred!

(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 21st 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)

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LEADING, CONNECTING AND INSPIRING THE FITNESS COMMUNITY

Programming For The “Fun Of It!” To Charge Or Not To Charge?

By: Laurie Cingle, M.Ed.

That is a question many managers ask when planning new or revising existing group programs: Is it Small Group Training (fee) or a Group Fitness class (free)?

Start With Your Current Group Fitness Schedule - Plan to replace low performing slots on your group fitness schedule with something more valuable. Here are three steps to making the transition:

Step 1: Eliminate classes that have run their course, those that attract an average of less than eight people per class. They're not providing enough benefit for members (or you!) to keep on the schedule. If you pay an instructor \$30 per class and six

people attend, the cost-per-head is \$5 without even counting operational and administrative costs.

Step 2: Identify and address other weak classes on your group fitness schedule by calculating the current cost-per-head. Every club's situation is different, but a good benchmark is a cost-per-head of \$2.50 or less per class. Set a plan to either grow or eliminate any class that can't meet this, then and replace it with something more viable.

As you work through Steps 1 and 2, consider suggestions from your team on what a class needs to grow. Or possibly, the few attendees of a tiny class would be willing to pay extra to keep it going.

Formally limit it to eight participants, charge a \$10 fee and call it “small group training.”

Step 3: Once lackluster classes have been cleared from your schedule, innovate! Look at what is not offered, then fill the void with fee-based classes, rather than adding free classes. Plug the gaps with something exciting and new. Offer premium classes at a premium price.

What to Offer - Determine categories of group fitness that currently are not on your schedule. Almost anything that you don't already have can be marketed as *premium*:

- A bootcamp;
- An innovative yoga-style class;
- Self-defense instruction;
- Classes that require special equipment, such as TRX, Kettlebells or your own specialty cycling program;
- A specialty class of a category that's already on your schedule: advanced yoga, for example, that people can graduate to (and pay for) after becoming proficient in your free yoga classes;
- Any new, well-marketed branded class



Laurie Cingle

from a third-party provider.

There is a **Fourth Step:** Watching your program revenue grow as re-energized members flock to your new fee-based program offerings!

(Laurie Cingle, M.Ed., is a fitness business success coach, club consultant and a member of the Leadership Team at Akron General LifeStyles. You can reach Laurie by email at laurie@lauriecingle.com)

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Thanks and Appreciation

At **CLUB INSIDER**, we are excited to be celebrating our **21st Anniversary** 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 run possible.

A very sincere **Thanks and Appreciation** go to **Rick Caro, Dr. Gerry Faust and the Faust Executive Roundtable #1** for helping me decide in 1993 what my home-based business would be. **Thanks and Appreciation** to my long-time friends, **Ron Hudspeth and Cathy Miller of Atlanta's Hudspeth Report** for the tremendous assistance they provided us during our first 8 years of publication. **Thanks and Appreciation** to all of the folks at **Walton Press** in Monroe, Georgia. They've done an absolutely excellent job for us all these years and have printed every one of our 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 18 years advertising with us and one, **Affiliated Acceptance Corporation**, with over 19 years as they have advertised in every single edition of **CLUB INSIDER** since the first month that we sold advertising in June, 1994! 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 20 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.

3 million Xbox One consoles sold.
1 million Xbox Fitness users discovering MOSSA.
1 thousand happy health clubs running 4,000 MOSSA programs.



For over 25 years BTS (Body Training Systems) has been delivering innovative and popular products and group fitness programs for health clubs around the world. Xbox One has recognized our commitment to engaging club members and creating an exciting atmosphere that gets people moving and, more importantly, gets results. Xbox One wants the same things for its new Xbox Fitness. We have welcomed Xbox One's desire to get people healthy and fit, whether it's in the comfort of their own home or in our customers' gyms.

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For more information visit www.MOSSA.net or call
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Secrets Everyone Should Know About ALS!

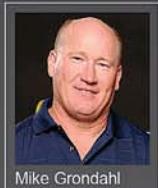
- Every 90 minutes, someone is diagnosed with ALS in the United States;
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I know a little bit about today's industry, where 80% of usage comes from treadmills, bikes, ellipticals and arc trainers. Where I used to work just hit 5 million members and 700 units. Everyone in the fitness industry, from independents to chains and manufacturers, needs to show financial support.

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THE GOAL

I asked Augie, "What is the most ever raised for ALS?"

He said, "\$6,000,000."

Then what should our goal be Augie? Knowing the answer any champion would give, he goes with, "\$6,000,001."



By March 14, 2015, we will raise \$6,000,001!

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