

Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry

Tom Rhind and Power Wellness

Forging Ahead in the Health Care Frontier



The Power Wellness Team

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Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry

Tom Rhind and Power Wellness

Forging Ahead in the Health Care Frontier

By: Justin Cates

On a daily basis, we read and hear conflicting reports about the growing successes of our industry versus the long road we have to go in order to change the dismal healthcare future so many studies and pundits say we have awaiting our society. As an industry, we have come a long way. Over the years, **CLUB INSIDER** has chronicled many stories that define our industry's history, good and bad. In 1999, IHRSA defined the 50 Million (Members) by 2010 campaign. This industry has proudly reached and surpassed that goal, defining our industry, and hopefully, ensuring its future. For every wonderful statistic we add to our industry's resume,

though, others come to light reinforcing how far we have to go. Nonetheless, we cannot forget where we have come from and where we are going.

As our industry had to fight the battle to national prominence and build trust with the public (still an ongoing mission), the pseudo-merging of our industry and health care is a new and growing topic that is not going away. Across multiple industries complementary to our own, we are seeing the changes on a daily basis. Concurrently, the public is becoming more aware of what they want, what they need and what a proper level of care and service should be.

This month, changing our usual Cover Story topic, we present an interview with **Tom Rhind**, *President of Power*

Wellness. Power Wellness provides design, construction and operations management services customized for medically-integrated centers, commercial fitness centers and university or community fitness facilities. They serve their clients with integrity while generating revenue, contributing value to their organizations and fulfilling the wellness and fitness needs of their patients, community members and employees. In short, they are the merging of industries poised to provide much-needed and crucially important results to populations around the world.

Read on as we discuss Power Wellness, as well as the larger issues facing our industries, with Tom Rhind.

(See *Power Wellness* Page 10)



Tom Rhind, President of Power Wellness

Ed Williams' Wellbridge Acquires MAC's Harbor East Club

BALTIMORE, MD - The Maryland Athletic Club & Wellness Center (MAC), which operates three health and wellness facilities in Baltimore County and Baltimore City, announced the sale of its downtown Baltimore facility, the MAC at Harbor East to Wellbridge, a Denver-based company that operates a family of 19 premium athletic and tennis clubs across the country. The transition was effective July 1st.

In 2000, Wellbridge acquired the Bel-Air Athletic Club in Bel Air, MD and has recently been looking for additional opportunities to expand its brand in the Baltimore area.

"We are excited for the future of the Harbor East club and are delighted to be working with Wellbridge, a quality

club operator whom we have known for more than 20 years," said Tim Rhode, Co-Founder of the MAC. "They are respected industry veterans, and we are confident they will provide a quality experience for our members and offer new opportunities for the dedicated Harbor East team."

Wellbridge President and CEO Ed Williams added, "MAC Harbor East has been an integral part of the community, and we look forward to strengthening this relationship. With a variety of Wellbridge clubs along the East Coast, this will be a great fit."

The MAC will be assisting Wellbridge over the next several months to ensure a smooth transition for its members and staff. Wellbridge will continue to provide the same high-quality programs,



membership experiences and customer service that they always have. Members that currently have reciprocal use of the other MAC clubs will continue to have that benefit for the next three years.

The MAC at Harbor East opened in September 2007 and currently has more than 3,000 members and approximately

100 full-and part-time employees who will all be continuing in their roles with Wellbridge. The MAC will continue to operate its flagship club of 19 years in Timonium, MD, along with the MAC Express in Hunt Valley, which also opened in September of 2007.

Inside The Insider

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- Active Wellness, LLC and St. Joseph Health Join to Redefine Wellness
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- The IHRSA Institute Is Coming!

Norm's Notes

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

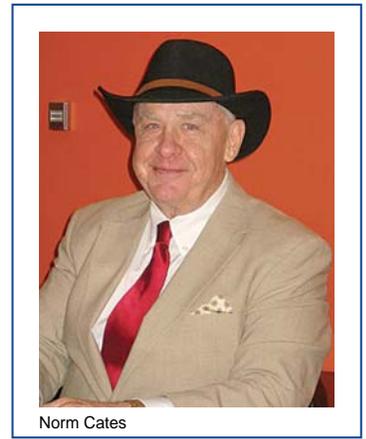
•**The Saw Mill Club basketball gym was filled with 230 Brother CURT BEUSMAN Fans from across the country who had gathered at Curt's Saw Mill Club in Mt. Kisco, New York on Sunday, July 12th to memorialize a great man who lived one of the most amazing lives you'll ever hear of.** The speakers, in the order of their appearance, were **RICK BEUSMAN; RICK CARO; LARRY KRIEGER; Curt's granddaughters, BLAIR and CALLIE BEUSMAN; Curt's friend for life, DR. MICHAEL STILLMAN;** and **ROBERT BEUSMAN, Curt's son.** Music was provided by **KEVIN KANE, KURT FELDMAN** and **JIM FETHERSON.** Club Business/ Industry leaders, **JOHN McCARTHY, JOE MOORE, RICHARD TRANT** and **CATHY McNEIL** also attended. I also attended via a quick flight Sunday morning from Atlanta to New York and back on the same day. *The presenters all did truly outstanding jobs of remembering and sharing the highlights of Curt's life.* The audience laughed and laughed at the recollections of the speakers, and truthfully, this was not a sad and teary event, although a couple of the speakers fought back tears while remembering Curt.

One highlight of the event was the **"Return of Brother BEUSMAN"** when Rick Beusman donned a silky white robe

and went into the **"Brother Beusman"** mode of speaking, just like his Dad had done for our industry several times over the years. This time, Rick had created a **hilarious new "Ten Commandments,"** in which he summarized his life experiences with his Dad by assigning and sharing a special memory from his life to each commandment. Rick's thoughtful presentation of this new batch of Ten Commandments was a true hit, and the audience just loved it (**I think Curt and Jane had to be enjoying it somehow, too!**). Rick Caro shared thoughts from his 40+ years as Curt's friend and business associate, and he recalled Curt's role in founding IHRSA. As always, when he speaks, Rick Caro mesmerized the audience with his thoughts and recollections. Rick also turned to **Curt's Ten Commandments,** but in his presentation, he shared the "business" side of the commandments as the room was filled mostly with Saw Mill Club Members and friends of Curt and **JANE BEUSMAN.** Larry Krieger, a 14-year employee of Curt's at Saw Mill Club and **his wife, GINNY,** flew all the way from **San Francisco** to be there for Curt! The beautiful granddaughters, Blair and Callie, charmed the crowd with recollections of their grandpa and grandma, Curt and Jane. **DR. MICHAEL STILLMAN,** Curt's friend for over 40 years, had the crowd roaring with his recollections of many events in Curt's life. Of note from Dr. Stillman was the time Curt had set off 4th of July fireworks at The Saw Mill



"The Return of Brother (Rick) Beusman"



Norm Cates

Club without obtaining a permit to do so, was arrested and taken to jail with a \$60 bond. Brother Beusman didn't have the \$60 bond on him, but he got help and then went back to the club and *continued the fireworks, again, without a permit!* **Great stuff!** The now retired Dr. Stillman was downright hilarious, and if in his past he'd ever decided to stop practicing medicine, he could've established a great career as a standup comic!

With the truly amazing Memorial Service complete, the group moved to the club poolside for food and conversation. I was not able to stay at the outdoor gathering for very long because I had an hour drive back to New York City to catch my flight back from the LaGuardia Airport by 8PM so I could be back here to complete our

July deadline. All things considered, my decision to make this day-trip to New York and back, during our Deadline, was a very well invested 17 hours because I personally will have fond memories of this event that will forever match my fond memories of our friends, **CURT and JANE BEUSMAN.** Plus, the *bonus* for me is that **Curt and Jane Beusman changed my life forever** when *they helped me dream the dream of being "Mr. Mom."* Jane articulated the **Mission,** and then, **Curt later came up with the name: CLUB INSIDER. I was, and I will always be, indebted to them.** But, somehow, I know in my heart that they were with us all spiritually at their Saw Mill Club on July 12th, and I'm sure they got my message

(See Norm's Notes Page 7)

About Club Insider

Established in 1993

22 Years and Counting!

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

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PRINTING and MAILING SERVICES - Walton Press

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Edition #259

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“Insider Speaks”

The ClassPass Paradox: Partner or Competitor

By: Stephen Tharrett and Mark Williamson

Over the past year, ClassPass, an online subscription portal that extends consumers the opportunity to engage in unlimited fitness classes a week at over 3,000 studios, has gone viral, capturing the attention and engagement of numerous club/studio operators. With its announcement earlier in 2015 that it had raised \$40 million in Series B funding, bringing its total raised to \$52 million since launch, its Founder and CEO, Payal Kadakia, indicates the company now has a market cap of approximately \$200 million and growing.

One could say that ClassPass is the Cinderella story of the fitness industry, not to mention one of the tech feel-good stories of the year. Accompanying its incredible success in the financial markets has been its equally successful enrollment of clubs and studios across the country. Presently, ClassPass has enrolled over 3,000 studios and clubs in over 33 markets and booking over 1.5 million reservations a month according to a February article that appeared on techcrunch.com. Those numbers are likely to grow significantly as it pursues its goal of being in at least 100 markets in the next year. At the most recent IHRSA Convention in Los Angeles, ClassPass was all the rage, garnering a significant amount of buzz.

The Benefits and Risks of ClassPass

Like any innovative new business model that promises to be your partner in success, it's worth the time to assess the *benefits and risks*. In this white paper, we will explore the ClassPass story, what it offers the club and fitness studio industry, what possible hidden risks are and stories from other similar business models that can possibly shed light on what ClassPass can mean to the future of a studio or club.

What is ClassPass?

According to its Founder, Payal Kadakia, ClassPass is a monthly membership offering that extends consumers a unique opportunity to work out at multiple clubs and studios, and for operators, brings them enhanced market awareness and traffic. At its core, ClassPass is an online portal (website and mobile application) where consumers can subscribe for \$99 a month and gain the ability to reserve space in an unlimited number of classes a month (initially capped at 10 classes a month) at multiple clubs and

studios in 33 markets across the country and internationally. By purchasing a membership subscription for \$99 a month, a consumer can go online and reserve a spot in a class from among various clubs/studios (e.g., barre, dance, Pilates and yoga) in his market who have enrolled in the program. The only caveat for the consumer is that he is limited to three visits at any one particular studio in a month.

In essence, the consumer gets convenient, guaranteed access to a class of his choosing for a discounted price. If you take IHRSA's 2014 health club consumer data that shows a typical studio user participates between 90 and 100 times annually (7 to 8 times a month), this would bring the average cost per class for a ClassPass member to \$12 to \$14, a considerable discount on the average studio fee ranging from \$15 to \$35 in most markets. Posted on the ClassPass press page are a series of wonderful articles and interviews from leading press publications and blogs that offer further insight into this viral fitness phenomenon, with quotes such as “Bypass gym membership, all you need is ClassPass” (Bloomberg.com), “This is the only way you should work out in 2014” (Racked.com) and “It just may take the place of my gym membership for good.” (POPSUGAR). For fitness consumers, it's an incredible deal!

ClassPass as Partner

The story behind ClassPass speaks to being a great brand awareness builder, and furthermore, an outstanding tool to help consumers discover your business among an ocean of competitors. Clubs and studios that enroll in the ClassPass program are told that the program will generate a significant level of guest traffic, fill classes that are not presently 100% occupied, and furthermore, generate high quality new member prospects. If you take the most recent numbers shared in the press by ClassPass, which is an estimated 600,000 reservations a month at slightly over 3,000 studios, it equates to an average of 200 visits per month (50 per week) for a studio or club. When seeing numbers like this, it almost looks too good to be true.

In addition to generating increased traffic to a club or studio, ClassPass pays a nominal fee to the business for each guest who visits. While ClassPass does not share the specifics of what it pays, an online search shows that most studios receive an amount that ranges from as low as \$5 per visit to as high as \$25 per
 (See “Insider Speaks” Page 16)



Stephen Tharrett



Mark Williamson

Letter To The Editor

Good Morning Mr. Cates,

A terrific mentor in my life, Larry Krieger (aka Kriegs) shared with me your **258th edition** of the **CLUB INSIDER** yesterday, and I couldn't put it down. Your story on Curt Beusman frankly made me jealous of not knowing him in person. It seems like he was a terrific human, leader, thespian, scientist, businessman, husband, father and tennis player!

It is so great to see so many industry leaders come together to pay their tributes to a man who appreciated so much of this world and founded the path for all of us to follow in our industry. Larry told me about the *10 Commandments* in the past, but I am glad to now have a copy of them! There are so many teachings I can take away from this publication, but I think the one I will hold onto the most is being a risk taker, and if it works, to not be afraid to teach others. I love being innovative and teaching others, but sometimes, I find myself getting caught with the minutia of the business that I forget the importance of taking a step back, being ambitious and taking **LARGE** risks. If I am ever afraid of taking the big risks that will propel timers to the moon, I will just think of the story Mr. Trant shared about being 15 feet above red hot molten lava... be a risk taker!

I wish I had been in that room in Chicago in 1993 to be able to pick the brains of all these amazing trailblazers, but I am thankful that it happened and we now get to reap the benefits from it. Having those moments where you sit in a room and discuss the good and the bad and the ideas that will continue revolutionizing your industry is probably one of my favorite parts of my job.

I am very glad you became a Mr. Mom and ‘tell-it-like-it-is!’ I have been in this industry for a short three years but have truly learned to appreciate the business. I look forward to continue learning from your publication and shared thoughts from great writers from the **CLUB INSIDER**.

Thank you for sharing and Happy 4th!

-Mara Joseline Saldana Arbesu

...

Thank you, Mara! Your kind letter made my week! Thank you!

Norm Cates
 Publisher Since 1993
CLUB INSIDER

...Norm's Notes

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of **Thanks** expressed simply by my being there. **May Curt and Jane Beusman Rest In Peace.**

● **BAHRAM AKRADI** is a man who started his life in America as a 17-year old Iranian immigrant, and one of his early on jobs was washing dishes. He went on from being a dishwasher to creating, owning and operating **Life Time Fitness**, the incredible chain of mega-clubs, which was recently sold for \$4 billion. That \$4 billion price tag breaks all the records for health and fitness club sales in the history of the industry. The \$4 billion sales price more than doubled the previous record of \$1.6 billion that the sale of 24 Fitness fetched for **MARK MASTROV** when he sold the chain to New York City-based **Forstman/Little and Company**. So, I ask you all again: **Is America a great country, or what?** Let me add this. One thing's for sure, and that is **America's never going to be boring!** God bless America!

● **Congratulations to ED WILLIAMS and TIM RHODE**, as they've completed a deal in which **Ed's Denver-based Wellbridge Company** has acquired **Tim's Maryland Athletic Club** that they call **The Harbor East Club** in **Baltimore, Maryland**. Check out the **Press Release on Page #3**.

● **BILL McBRIDE**, Co-Founder, President & CEO of **Active Wellness**, provided a **Press Release** about their **Active Wellness, LLC** move toward wellness, and we've published it on **Page #20**. Bill said, "St. Joseph Health and Active Wellness share a vision of outcomes-oriented health and fitness. We're thrilled and positioned to deliver this convenient new model that integrates all aspects of good health and wellbeing, backed by science, fun, technology and service. It's an exciting time for Active Wellness to partner with the renowned St. Joseph Health as we forge ahead on our mission of positively impacting the health and happiness of as many people as possible." Best of luck to Bill and Jill as they move into the wellness space.

● The following question now appears to be: **"Which will happen first? Will our industry run out of new franchise names before the ever-growing supply of new franchises they're dreaming up runs out of places to plant them?"** I received a press release about a company in the group indoor cycling business that claims to have made 100 franchise deals in its first year.

● And, don't even get me started on **CrossFit** and their **Founder!**

● The headline reads: **Amarillo, Texas YMCA Closes!** Excuse me while I applaud another YMCA closing, and I do so because

that organization has spent decades fooling the public into thinking it's a Not-for-Profit Fitness organization, when IN FACT, the YMCAs of America are nothing BUT a **For-Profit-Fitness-Center chain**. The YMCA uses its "legal status" as a not-for-profit entity, also known as a 501 (c) 3 Corporation to get huge tax advantages over their competition, also known as you folks, the owners and operators of the For-Profit commercial health clubs of America! **So, any chance you get you should help people in your community learn about this false identity the YMCAs of America use to get an unfair tax advantage of about 30% over you taxpaying club owners and operators!**

● It's not **TOO LATE** to register for **The IHRSA Institute!** Check out the **Memo from IHRSA's PAMELA O'DONNELL on Page #24** and the **IHRSA Institute Ad on The Same Page**.

● Here's news about **Canada's first health club for folks with Alzheimer's disease**. A company appropriately named **"Memory and Company"** has built an 11,000 square-foot facility in **Markham, Ontario, Canada** that was *designed with established principles and research on dementia*. Their plan is to revolutionize caregiving for people with dementia through the use of social media and technology within the walls of their large, stimulating and genuinely enjoyable facility. Special touches were used, such as contrasting colors and space finishes without shine or glare to decrease agitation in dementia patients. Also, the rooms are circular because research with dementia patients has shown that coming to a dead end can be agitating and distressing to them.

"The members are very relaxed in our space," said **ASHLEY KWONG, Co-Owner of Memory and Company**. "It is designed as a calming environment." Unlike ordinary retirement homes or dementia care facilities, members at Memory and Company are free to do whatever activities suit them at whatever time during the day, in contrast to ordinary retirement homes or dementia care facilities. They have all sorts of activities for members, including painting or drawing, watching movies or television, gardening or exercise. "Activities are based on the members' interests," said Kwong. "People can do what they're interested in." They can even just sit and chat with other members, and socializing is encouraged for the members. "Making friends benefits their mental health," said Kwong. Members also have a spa at their disposal, complete with massages, manicures, pedicures and facials.

● **DANGER! Outdoor decks**, especially **wooden decks**, have made the news a lot lately. I'm writing this Note to encourage and urge you to have your club's deck, or the deck at your home, checked carefully

for decay and any potentially bad condition that could cause a collapse when a large group of people step out on it to have a group photo taken, which is exactly what happened recently.

● **MIKE ALPERT**, the **CEO and President** of the amazing **Claremont Club in Claremont, California**, recently sent me a video entitled: **"Hey Brother,"** and if you've not seen it, you should. And, he sent **AUGIE NIETO's** amazing video, and for sure, if you have not seen that, you should. Here are the Links to both videos (<http://bit.ly/clubinsider11> and <http://bit.ly/clubinsider12>), and I urge

you to take the time to check them out. In case you missed it earlier this year, **CLUB INSIDER** produced what turned out to be an amazing 9,500-word, 2-part Cover Story in March and April about **Project Walk**, the amazing work Mike has been doing with folks who've suffered spinal cord injuries. That report included things they've been able to do with Augie at their Project Walk, including helping him walk again after he's been suffering from ALS, also known as **LOU GEHRIG's Disease** for 10 years now, defying all odds simply by still being alive.

(See Norm's Notes Page 8)

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...Norm's Notes

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•I contacted MIKE WAREING of Wareing Gym, Virginia Beach, Virginia on the telephone to line up an interview with him because it appears to me that their operation, established in 1960, may be the senior gym/health club in the United States. Actually, their history in the business goes way back to 1923 when their grandfather was a noted strongman. By the way, I'm not including such institutions as The Downtown Athletic Club in New York City, the Los Angeles Athletic Club in L.A. or other such organizations of that kind that were founded

in the late 1800s/early 1900s. **Stay Tuned!**

•The Club Industry Show is right around the corner, and we urge you to sign up and attend **October 7th-9th at McCormick Place in Chicago**. Check out the **Club Industry Ad on Page #25**. A big event at the show will be Club Industry's presentation of their **Lifetime Achievement Award to AUGIE NIETO on Thursday, October 8th**. Augie's devoted wife, **LYNNE**, will be traveling from California to accept this prestigious award on behalf of her husband, Augie, who's now a 10-year survivor of ALS, a/k/a LOU GEHRIG's Disease. Club Industry has also announced that the keynote

speaker will be **SHANE SNOW**, an award-winning journalist and entrepreneur and the bestselling author of **Smartcuts: How Hackers, Innovators, and Icons Accelerate Success**. He's the Chief Creative Officer of **Contently**, which he co-founded in 2010 with the mission of "building a better media world." His writing has appeared in **Fast Company, Wired, The New Yorker**, and dozens more top publications. He's been called a "Wunderkind" by some. Also, I took some time to review the Club Industry Show educational seminar schedule. It's amazing and provides a large number of learning opportunities presented by experts in their area of focus, and you'll have a lot to choose from. Last, but certainly not least, here's a list of our **CLUB INSIDER Advertisers** who're exhibiting in Chicago, along with their Booth numbers. Please stop by and visit these great folks at the Trade Show and do business with them because they're great people who will treat you right! Again... sign up today and be with us in **Chicago at Club Industry, 2015!**

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•Speaking of **CLUB INSIDER Advertisers**, **World Gym International** has opened two new locations in **Kansas** and **Missouri**, as well as another new location, *its 30th*, in

Canada, making it one of the largest full-service brands in that country. See **Ad on Outside Back Page**

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

(Norm Cates, Jr. is a 41+ year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of **CLUB INSIDER**, now in its 22nd 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 can be reached by phone at **770-635-7578** or email at **Norm@clubinsideronline.com**)

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The Bay Club Company Acquires Santana Row Location

SAN FRANCISCO, CA - The Bay Club Company, a California-based active lifestyle corporation, announced the addition of a 36,000 square-foot club in **Santana Row**, Silicon Valley's premier shopping, dining, living and working destination. The new property rounds out The Bay Club Silicon Valley campus to include three locations: **Bay Club Cupertino**, **Bay Club Santa Clara**, and now, **Bay Club Santana Row**.

The **Santana Row** property will be modeled after The Bay Club Company's other locations and **Four Quadrant Playbook**, which integrates fitness, sports, hospitality and family programs to create a modernized country club membership. The Bay Club Company plans to invest more than \$1 million into the existing fitness facility with hospitality amenity upgrades including an **Active Lobby**, a lounge area where members can mingle post-workout with access to complimentary coffee, charging docks, a community workstation and complimentary Wi-Fi.

"We continually seek out strategic opportunities that add value for our members and are pleased to bring our **Four Quadrant Playbook** to **Santana Row's** high end retail shops and residential lofts," says **Lisa Graf**, The

Bay Club Company Executive Vice President of Operations. "We're thrilled to be able to grow our **Silicon Valley** campus and bolster the modernized country club experience."

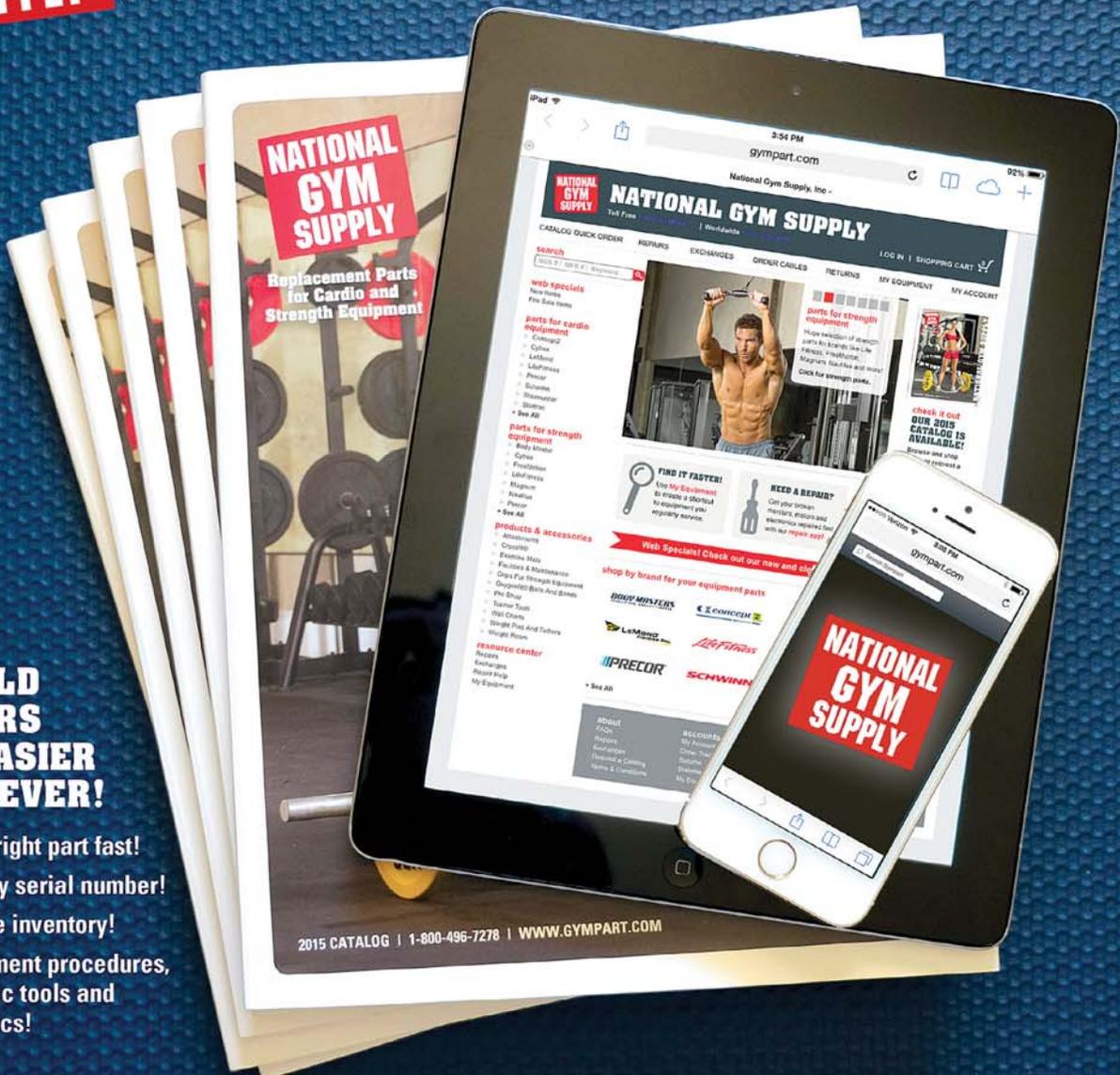
Collette Navarrete, Director of Marketing at **West Coast Federal Realty Investment Trust**, adds, "We are eager to bring The Bay Club to the **Santana Row** neighborhood and look forward to offering the community its premier hospitality, fitness and social amenities."

The acquisition comes shortly after The Bay Club Company announced its purchase of **Spectrum Athletic Clubs'** portfolio of 11 properties in the greater **Los Angeles** area. The Bay Club Company's campus concept groups multiple locations within a geographical area that feature complementary amenities, including fitness centers, athletic clubs, swim and tennis complexes and country and golf clubs.

Bay Club Santana Row is located at **3055 Olin Avenue Suite 3000, San Jose, CA 95128**. Look for further acquisition announcements throughout 2015, as The Bay Club Company continues to grow its California portfolio and debut in markets outside California.

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...Power Wellness

continued from page 3

An Interview With Tom Rhind, President of Power Wellness

CLUB INSIDER (C.I.) - Where were you born and where did you grow up? Where did you go to school and what did you study?
Tom Rhind (T.R.) - I grew up in Munster, Indiana and had a great childhood. I lived there until I went to college at the University of Evansville (Indiana) on a football scholarship. There, I met my wife, Mary, and we just celebrated 32 years of marriage. Over the years, we have had three kids, seven grandkids and there is an eighth on the way. So, I am having a blessed life.

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

TR - My degree was in business administration, and when I got out of college, I was doing what every college student does, going through multiple interviews. My dad and I joke about this today, but one of the things was everyone wanted me to wear a suit and tie. But, I decided, out of college, to work for Chicago Health Clubs because I didn't need to wear a suit and tie. Al Phillips, Founder of Chicago Health Clubs, gave me a chance in membership sales. After the first year, my wife Mary, and I decided to open our own gym, *Barbells*.

C.I. - In 1996, you joined Power Wellness. How did this come about?

TR - In 1985, I had an opportunity where a local hospital in Libertyville, Illinois was looking to build a wellness center for the community. Back then, there were very few medically-based fitness centers in the country. I was fortunate enough to be hired, and we developed the Centre Club at Condell Medical Center.

The Centre Club was built on the hospital campus and became a medically-

integrated success. In the first year, we achieved our goal of 4,000 members. Later, I was offered the chance to work for Lake Forest Hospital in Lake Forest, Illinois. At the time, Lake Forest Hospital was and still is a prominent orthopedic hospital. Their goal was to integrate physical therapy and their orthopedic partner with their fitness center to take medical fitness to the next level. I had five great years at Lake Forest Hospital.

Then, in 1995, Al and Ken Gorman of Power Construction contacted me. Power Construction was founded in 1926 and is a very prominent local construction company here in Chicago. They focus on projects in the healthcare, education and hospitality industries. Ken, the Vice President was developing a new division called Power Hospital Fitness Group and offered me a position to join their team to help build medically integrated fitness centers.

A year later, we were hired by then CEO, Craig Livermore, of Delnor Community Hospital in Geneva, Illinois to build a center. We were in the process of completing the project when Craig asked if we wanted to manage the facility for the hospital. We said, 'Absolutely.' From that opportunity, we became Power Wellness Management. Delnor was our first client, and we are very proud because they are still with us.

C.I. - Please tell us about Power Wellness at that time. What were the company's initial objectives?

TR - The initial objective was to build medically-integrated wellness centers. That's what we started out to do, but with the opening of the Delnor Community Hospital facility, Operations Management became our primary focus. Over the next five years, we had some very nice growth landing six new clients. Twenty years later, we have expanded to offer Feasibility Studies, Project Planning, Pre-opening Management, Medical Integration



NorthPointe Wellness Entrance

(with healthcare and university partners), Technology Services and Purchasing (startup and ongoing).

C.I. - Please take us through the evolution of Power Wellness in terms of the additional industries it now serves.

TR - When we started Power Wellness, the term was 'Managed Care,' which was the hospital's goal to improve the health of the community along with the outcome of their patient's care by offering a wellness center. Today, in healthcare, it is now known as 'Population Health.' Over the last ten years, we have expanded from focusing on healthcare partners, to universities and community colleges, as well as the business community.

C.I. - Please tell us about the Power Wellness Mission Statement and the different aspects of your company's Core Values and Beliefs:

TR - One of the things Ken and I decided 20 years ago is that Power Wellness would be transparent at all of our sites. What I mean by that is each of our centers are branded under our client's name and branding. In the markets we serve, nobody sees the Power Wellness logo or know who we are. So, for example, at Delnor Community Hospital, which is now Northwestern Hospital, our team represents Northwestern's brand in their uniform and marketing materials. We put our clients, and their name, ahead of ours, so that they receive all the credit.

As we expanded across the country, we realized we needed to unify our different teams. In order to do this, we formed our Mission Statement and Core Values and Beliefs. We use the following

in the selection of every new client and the hiring of new team members.

Our Mission Statement is: **We Improve Life By Delivering Excellence in Health, Fitness and Wellness Management.**

Our Core Values and Beliefs are:

Integrity - We hold ourselves to the highest ethical standards. We are fair and honor our commitments.

Excellence - We are driven to consistently deliver superior results and outcomes.

Humanity - We are dedicated to respect and improve the lives of the communities we serve with compassion and care.

Passion - We love what we do and it shows.

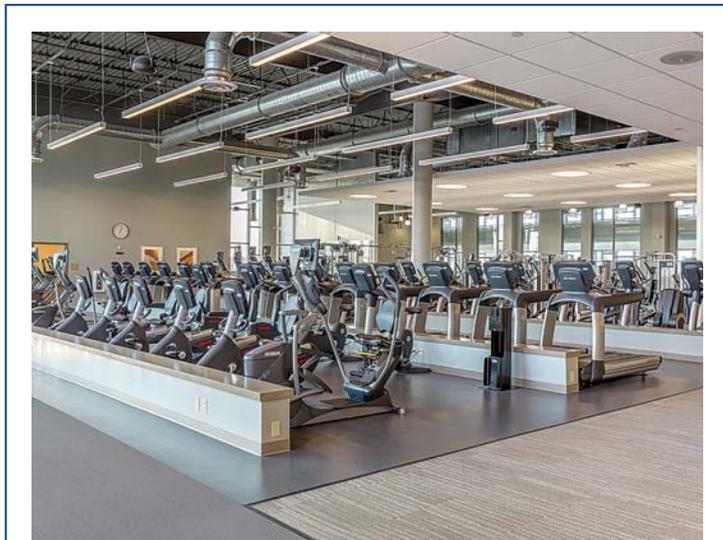
Creativity - We challenge ourselves to provide innovative and personal solutions in everything we do.

Humility - We are here to serve.

At the start of every meeting, we say our Mission Statement and go through our Core Values and Beliefs. It's been very healthy for our company and our leadership team at each of our center locations.

I owe this to Al and Ken Gorman. They have a saying, 'We are building this company for future generations.' Power Construction has been in existence for 89 years now, and we hope to match that someday.

(See *Power Wellness* Page 12)



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STEPFITNESS

...Power Wellness

continued from page 10

C.I. - We've already discussed the Power Wellness service menu some; getting a little bit more specific, can you take us through the process you would normally go through for a new client?

TR - Our process has been the same since our inception, whether working with a healthcare system, university or corporation. We start out with a feasibility study and project planning. This is so there is no miscommunication or misunderstandings in the future about the project and its goals. So, the first thing we clarify with clients is to find out what their vision and objectives are. We then interview all the key stakeholders, CEO, COO, CFO, CMO (Chief Medical Officer) and others, to make sure there is a good fit.

During this process, we identify all the fitness and clinical programs that will be included. We also conduct a phone survey of consumers and prospective members in the market. The reason we do this is because we want to hear what the public thinks about our prospective client getting involved in medical fitness and how it will improve the community's health and patient outcomes.

We then pause and review the findings with the client. If everybody at that point says it's a 'Go,' then we move forward. We then confirm all of the therapy services and after-care programs that would be involved, such as physical therapy, occupational therapy, speech, respiratory, orthopedics, cardiac rehab, imaging, primary care, OB/GYN, etc. After that, we engage an architect to create a program space summary, and the building takes shape through the block plan diagrams.

It is then determined how the project will be financed, along with the operational strategies. All of this then comprises the finalized business plan report. The Board of Directors and leadership of our prospective client will

review this report, which comes with a 5-year pro-forma as well as center objectives. This business plan becomes the measurement of our success.

C.I. - How many clients does Power Wellness now serve and across how many operational units?

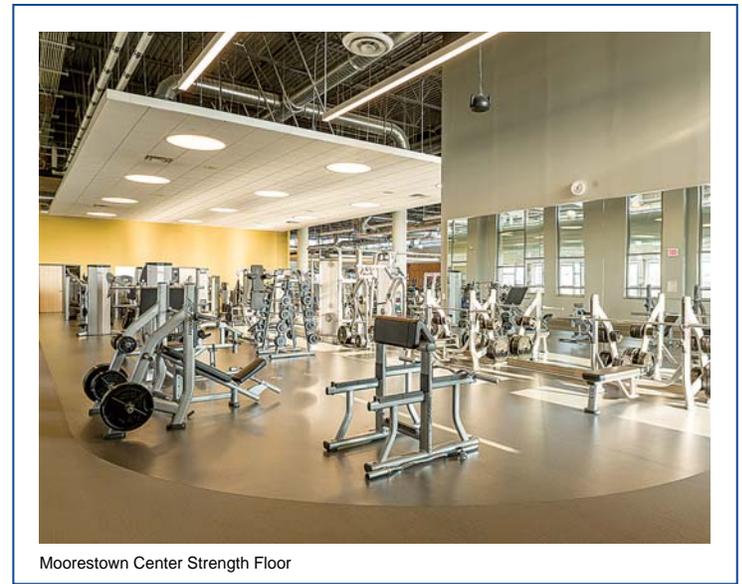
TR - We have 25 clients that comprise of 30 locations across the United States. We joined the Asian market five years ago and opened an office in Tokyo. We have a center in the Yokohama market called Palet. And, we just started a management consulting opportunity in Shanghai, so while we are growing here in the United States, we are improving the delivery of healthcare in Asia as well.

C.I. - What specific programs and services define a medically-integrated facility?

TR - That is a great question and one that I am asked a lot, not only by potential clients, but from prospective members as well.

There are three main differentiators of a medically-integrated facility. The most obvious is that there must be medical oversight with a Medical Advisory Board. Each of our centers has a Committee of physicians and healthcare providers who meet quarterly to review the programming of our Center as well as discuss public health issues. By having this medical oversight, it ensures that all exercise programs designed by our staff follow techniques that are approved by medical professionals and tie in perfectly with the healthcare system's goals.

The next differentiator of a medical health and fitness center is the degreed staff. All of our Fitness Specialists have a minimum of a Bachelor's Degree in a health-related exercise science field. Since we are affiliated with healthcare systems, we must assure our clients that their patients are being treated by professionally trained individuals who are qualified to manage individuals who may



Moorestown Center Strength Floor

have unique health issues.

I would say the emphasis on measured outcomes would be the third difference. Outcomes are important for us as well as our clients because we need to show that we are assisting with the continuum of care and improving population health. Our staff tracks and measures a full range of health, fitness and performance outcomes for our clients that we report back to them on a monthly basis.

One distinction when it comes to Power Wellness is that we are also committed to certifying our centers through the Medical Fitness Association (MFA). The certification process is an integral part of ensuring that facilities provide medical oversight and that the quality and safety of programs provided meet MFA's high standards. The MFA's Facility Certification is a mark of excellence in our industry.

C.I. - How many members, patients, etc. do those centers serve?

TR - Our typical center sees approximately 1,000+ members and about 1,000 patients a day. Our average member's age is 51 years old. As for member breakdown, approximately 51% of our members are women and the other 49% are men. Last year, we had 4.2 million visits across all of our centers. We manage approximately 100,000 lives, so we are impacting where the healthcare dollars are used.

C.I. - When someone who has never been a member of a fitness facility joins, are there specific and different things done for and with him to better ensure his success with a program?

TR - Yes, since most of our new members

have never been associated with a health and fitness center before, it is important to get them engaged at the start. As we all know, only about 20% of our population exercises regularly. The affiliated hospital's reputation and trust of the care truly makes an impact on the other 80%. We stress to new members that we are here to help be their guide along their fitness journey, and that's where our onboarding process shines.

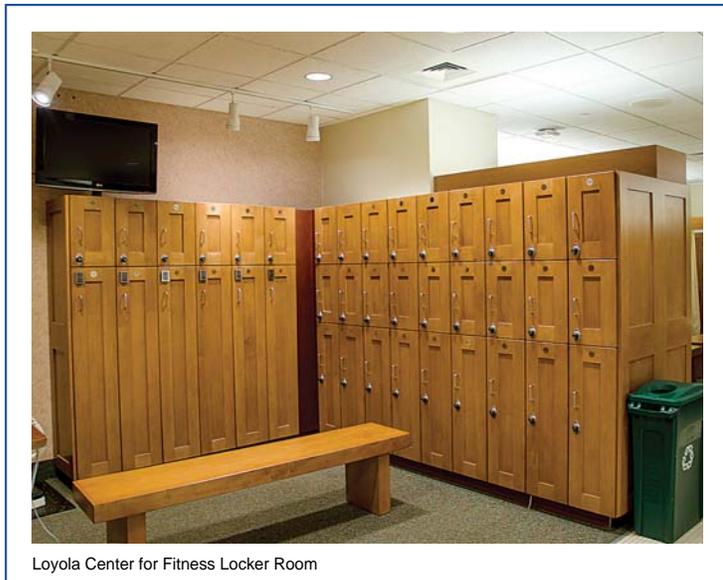
Every member who joins one of our centers goes through a 4-step onboarding process, which includes the following: a personalized fitness assessment, equipment orientation and two one-on-one follow-up appointments.

Shortly after signup, one of our Fitness Specialists will schedule the new member's fitness assessment to find out the member's fitness level. Based on the findings of the assessment, we build a customized workout plan based on the individual's specific needs and health.

Upon completion of the assessment, we schedule an equipment orientation to walk the new member through the facility and show him how to use the equipment properly. The whole idea of this is to help him become acclimated to the fitness floor and take away the intimidation factor.

Over the next few weeks, the same Fitness Specialist who managed the assessment and orientation schedules two follow-up appointments to revisit the member's goals, talk about any challenges he may be experiencing and make suggestions to help him stay on track. We have a Fitness Specialist on the floor

(See *Power Wellness* Page 14)



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...Power Wellness

continued from page 12

at all times to assist members with any questions or concerns that they may have with equipment or even their goals.

We have learned that members who complete the onboarding process stay members longer and have a better chance of achieving their goals.

C.I. - What are some of the criteria a potential client should be aware of when considering a company like Power Wellness?

TR - For sure, we go into every new business venture with the plan that this is going to be a long-term relationship. We create a business model that both parties are going to be accountable to. That accountability is built into the business plan because we need to show outcomes, integration, and of course, facility needs to be financially successful. We do not get involved in creating a center that will not produce a positive financial outcome for our partners. From the financial success of these centers, we've seen some of our healthcare clients create cancer, cardiac and orthopedic centers.

We believe that our centers are the future of healthcare, and a medically-integrated center is exactly what it says; it is a *medically-integrated center*. So, one of the things we developed is our *Next Steps Programs*. Each program takes eight weeks to complete and focuses on key areas of population health, such as cancer, cardiac, diabetes, orthopedics, functional fitness, pulmonary fitness, transitional care and weight management.

To further integrate the hospital's patient electronic medical record with their center, we developed a tool we call Power-Link. Power-Link provides a seamless integration between patient care to the wellness center. We have been developing the software for the past three years and are excited because this allows us to measure the success of the patient's outcome.

C.I. - Please tell us how a typical deal with Power Wellness is structured.

TR - Each deal really depends on the goals of the client. We look at ownership, financing, management and can even consider a development model now. Development is a new service line we are offering and we added at our client's requests. We can now partner with our customers and create joint ventures with them. We are very excited about this because it creates a more long-term relationship for both parties.

C.I. - What are the benchmarks used to assess the success of a working relationship between Power Wellness and a client? What adjustments are typically made depending on those results?

TR - Communication is important. We have been very fortunate that we've had a strong track record of success. We sit down with our clients every month. We

look at the business plan, what's going on within the facility and we adjust as needed. We have our key indicators, which are reviewed weekly and show how we are doing with patient interactions, member integrations and how our financials are performing.

If our client is connected to a healthcare system, we review the number of discharges, as an example in orthopedics, how many completed physical therapy and went through our Next Steps Program. What we have found is that patients that go through our Next Steps pathway not only reduce their health risks but also remain members of the center.

C.I. - Please tell us about some of the non-hospital wellness facilities you manage.

TR - When we started Power Wellness, the focus was solely on healthcare systems. Over the years, we have expanded our client services to now work with Universities, Community Colleges as well as family recreation centers. These industries have the same goals of our healthcare clients. In their case, it is to improve the wellbeing of their employees, students, faculty and the communities they serve.

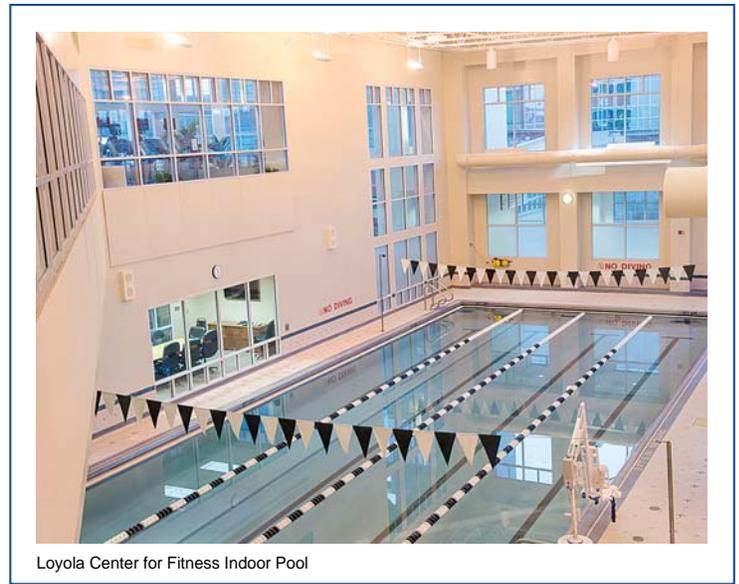
When we do work with clients outside of the healthcare sector, we partner them with a local healthcare provider so that there is medical oversight. This allows us to offer the same medical fitness programs like Next Steps.

C.I. - Please introduce us to your key staff members. What are their names, positions and tenures?

TR - I am blessed to have a great team to work with. They can manage any project thrown at them. Our key staff consists of:

- **Ken Gorman**, *Founder and Partner*, 22 years;
- **Brian Hummert**, *Partner and COO*, 18 years;
- **John Danowski**, *CIO*, 10 years;
- **Peg Bravo**, *VP of Operations*, 14 years;
- **Josh Carlson**, *Director of Operations*, 18 years;
- **Jaimie Lehotsky**, *Director of Operations*, 17 years;
- **Josephine Richburg**, *Director of Operations*, 5 years;
- **Jenny O'Brien**, *Director of Human Resources*, 5 years;
- **Anthony Albert**, *Director of Marketing*, 2 years.

When a new employee joins Power Wellness, they realize they are joining a team. They know our goal; we want to be here for future generations to come. And now, 20 years later, we have



Loyola Center for Fitness Indoor Pool

a number of team members' children working for us. It's very humbling.

C.I. - Please tell us about the selection of Power Wellness as a Top 100 Workplace by the *Chicago Tribune*.

TR - I am glad you brought that up. Of all our accomplishments in the last year, this is the one I am most proud of, and it is a testament to the team we have here.

The evaluation process for this award is unique in that it is based on the response rate and feedback from your employees. The *Chicago Tribune* distributes a survey to the participating companies' employees and then reviews and scores the responses. That is why I think this award is so special... because we can say we are a great place to work, but when your employees on the front lines say the same, it carries a lot more weight.

We just recently completed the surveys for this year's awards, and I am eager to find out the results this coming November.

C.I. - Please tell us about Power Wellness' relationship with IHRSA, and in particular, please tell us about the benefits your organization receives from IHRSA Membership.

TR - As a company, and as an individual, IHRSA has been there since the beginning of my career. When I joined Condell Medical Center, we became an IHRSA member. That was my first trade show. I met Rick Caro, John McCarthy and I could go on and on... So many great people. I still thoroughly enjoy the annual conference and tradeshow. I always learn something from the keynote speakers and the various

people in the industry. In the '90s, John McCarthy asked me to speak about the benefits of hospitals and the relationship with IHRSA. As I get older, I enjoy hearing the youth of our industry speaking, and I think that has been very positive for me. I was an IHRSA Club Member for ten years as an operator, and the past 20 years, we have been Associate Members through Power Wellness.

I value all the things that IHRSA does for our industry, from benchmarking to webinars, CBI, etc.

C.I. - What does the future (3 - 5 years) hold for Power Wellness?

TR - On the horizon, one of the things we are most excited about is Power-Link, which I mentioned previously. We just formed a new division at Power Wellness called Power Care. Power Care will specialize in physical therapy, occupational therapy, speech and respiratory. We are also getting involved with assisted living and independent care communities. As for Power Wellness, our battle cry is 40 centers by 2020, so our goal is to grow by another ten in the next five years.

• • •

My sincere thanks to Tom Rhind, President, for his time interviewing for this story and to Anthony Albert, Director of Marketing, for all of his assistance. We wish the best to Power Wellness as they continue to forge ahead in the health care frontier!

(Justin Cates is the President and Assistant Publisher of **CLUB INSIDER** and grew up in the health and fitness club industry. Justin was born into a club business family in 1985, and from the age of eight, he spent his non-school and sports hours in a home that doubled as **CLUB INSIDER** Headquarters. Justin can be reached by phone at 423-314-4310 or email at Justin@clubinsideronline.com)



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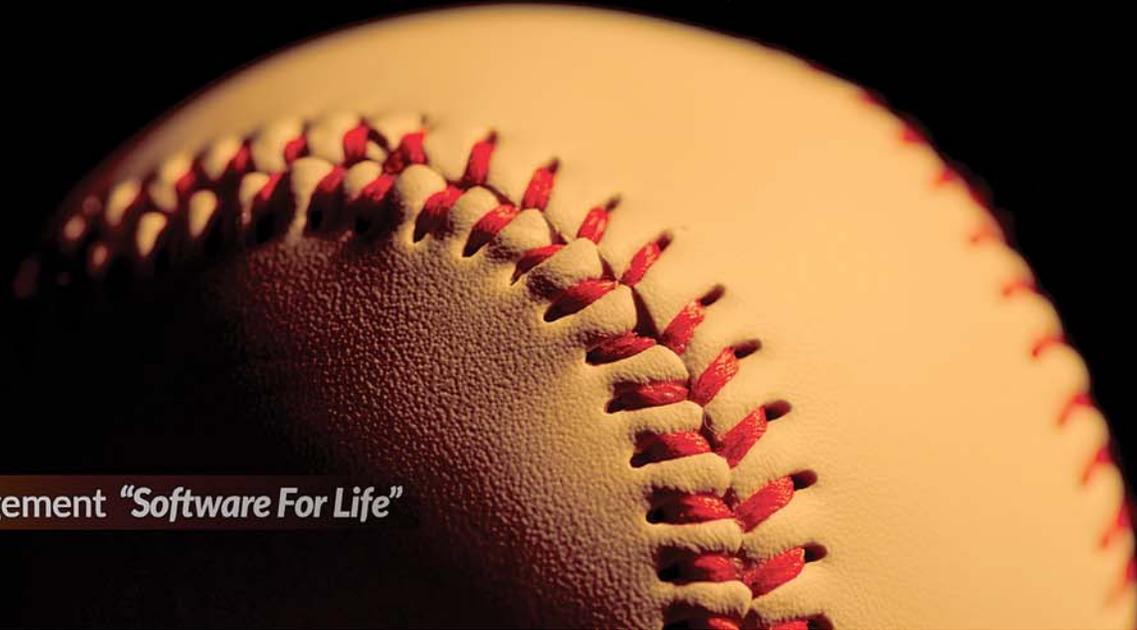
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You Only Get *One* Chance to Make a *First* Impression Better Make it Count!

By: Dr. Art Curtis

In my 35+ years in the fitness industry, I do not believe that I have seen a time when the industry has been more competitive than it is today. The consumer has so many good alternatives in most markets to satisfy his fitness needs. From low-priced/high-volume franchise models that have made gym membership accessible and affordable throughout most of the United States to the variety of studio models that have literally created a new category for group exercise and small group training. Several of the national and regional chains have become stronger allowing them to dominate in their markets while some of the weaker groups have been acquired. If you are going to successfully compete in the fitness industry today, you better bring your "A Game." Anything less will result in failure.

Over the past few years, I have visited well over 150 clubs in the U.S. and Canada. These clubs included a variety of business models, such as high-end multipurpose clubs, mid-market multipurpose clubs, fitness-only clubs, several studio concepts, hospital-based clubs, various low-priced/high-value franchised gyms and 24/7 key clubs. Some of the facilities were part of national chains or regional chains, while others were independents. Many of the clubs that I visited appeared to be well-run quality operations. However, there were far too

many instances when I would leave the club after my visit scratching my head and thinking to myself, "WHAT WERE THEY THINKING?"

The fact of the matter is too many club owners and managers are not thinking! It amazed me to see how many club owners and managers never had learned how important first impressions are in decision making and that you only get one chance to make a positive first impression.

While there are many moving parts to running a quality fitness facility, it all begins with the prospect's first impression. Genetically, we are hard wired to form opinions and make quick decisions, within a matter of seconds. This type of unconscious thinking is called *rapid cognition*. Psychologists often refer to this phenomenon as "thin slicing." Once a prospect makes this snap judgment on your club based on their first impression, it is very difficult to change their perspective. It becomes the lens through which they view the rest of the interaction with your staff.

(If you would like to learn more about the concept of rapid cognition without all the scientific jargon, I would suggest reading Malcom Gladwell's book BLINK. Gladwell does a good job of blending the scientific concepts with case studies and anecdotes to help you gain a better understanding of how and why we make such rapid judgments.)

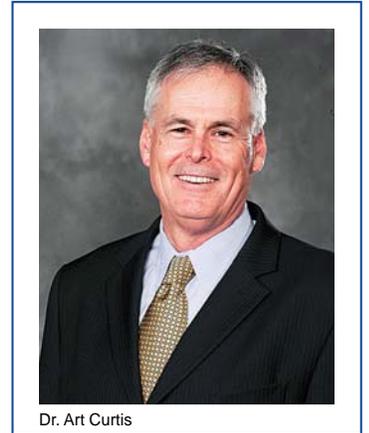
associated with their marketing your brand. Finally, in a recent story that appeared in techerunch.com, CEO Payal Kadakia describes the company's plans to invest capital into studios by helping them build out new locations and offering advanced analytics on consumer behavior. Taking all of the above into consideration, ClassPass definitely offers studio and club operators an appealing value proposition.

ClassPass as Competitor

Believe it or not, ClassPass may be as much competitor as partner for the fitness industry, more desirous of attracting prospects and members away from your business as bringing them in. How can we say that? To begin with, go back and read the quotes in the previous sections and you'll discover that ClassPass is not organized to be just a real-time reservation and lead generation service like **Open Table** (a software platform and online/mobile portal that allows consumers to make reservations at the restaurant of their choosing in return for which the restaurant pays a monthly subscription

Let me share with you a couple of extreme examples that I encountered from my numerous club visits in order to make a point about how the first impression when visiting a club impacts the way prospects view the rest of the interaction with the club:

- The first example occurred in three different cities, and the clubs were owned by three different operators. The clubs were previously operated under a different brand and had been rebranded anywhere from 6 to over 12 months previously. There was at least one new sign with the new brand on the building exterior; however, when you entered the front door, the old brand name was still etched on the door in one of the locations. In addition, when you completed the guest register before the tour, you see that the old brand name is on the guest register (I am not making this up). It appears that other signage from the previous brand have simply been covered over by banners. My quick judgmental conclusion was that this club was in trouble; I could not trust them. They had no sense of identity or commitment to their brand. There was no visible evidence of any improvements with the name change, in spite of the fact that the changeover happened months earlier. No matter what the salesperson would tell me about all the future improvements that are coming, they would not be believable given what I had seen just walking in the door. By the way, in one of the cities where



Dr. Art Curtis

I saw this two years ago, all three of the clubs were closed within 18 months. No big surprise!

- The second example occurred to one degree or another in about 10% to 15% of the clubs I visited. As you enter the club's parking lot at night, you notice the pavement is crumbling; it is very poorly lighted with lots of dark areas; if there is landscaping, it does not appear to be maintained and there are overflowing trash cans just outside the front door. My quick judgmental conclusion was that, if the outside was so bad, the inside must be even worse. The locker rooms are going to be a mess and the equipment will be
(See Dr. Art Curtis Page 18)

... "Insider Speaks"

continued from page 6

visit. According to an article written by Sophia Li on Quora.com, a question-and-answer website, she indicates the fee a studio receives is typically a percentage (e.g., 50%) of the lowest quoted price for the largest package offered by the studio. In essence, a club is providing a 50% plus discount on a class to generate a user and member prospect. For example, if your studio/club charges \$25 for a single class and \$400 for a package of 20 classes (equivalent of \$20 per class), chances are you will receive in the neighborhood of \$10 for the ClassPass visit. Based on the average number of visits per month a studio/club might expect (using empirical data derived from the various articles about ClassPass), this could equate to \$2,000 or more a month in incremental revenue for a studio. Add to this incremental revenue the opportunity of converting these unique visitors to members paying the studio's full price, then the value of ClassPass increases exponentially, and this is before you consider the economic value

and a fee for each reservation seated). Instead, it's a membership subscription business that provides an offering of real-time reservation and prospect generation while building its own membership base. In a quote that appeared in the *Washington Post* in the fall of 2014, the author says, "It's tough to compete with the diversity of options available through ClassPass." So, let's get that out of the way: **ClassPass is as much your competitor as they are your partner.**

Now, what about member conversion? After all, if you are getting an additional 100 to 300 guests each month, surely, you will convert a reasonable percentage of them into permanent fans of your studio/club. Well, conversion is never an easy thing, especially when you are converting consumers/users from an experience that is potentially a greater value than what you presently offer. A great example of the conversion and monetization strategy where businesses are attempting to convert a user is the free-to-pay (F2P) gaming industry. According to data provided by numerous market research firms, including **SuperData**,

deltaDNA.com, and **Playnomics**, the average conversion rate for F2P games falls in the range of less than 1% to 5% with an industry average of around 2.5%. Furthermore, in the F2P market, data shows that 53% of gamers who convert do so within the first week. Can't relate to the F2P gaming market? How about **Dropbox** and **Skype**, who also offer complimentary services, and like game publishers and studio operators want to and need to convert their users to premium fee-based services? At Dropbox and Skype, the conversion rates are 4% and 6% respectively.

While F2P gaming, Dropbox and Skype are not ClassPass, they do have a lot of parallels, including the fact that the business is trying to monetize the consumer experience by getting them to convert from what they already enjoy at a lower cost, or in the case of F2P gaming for free, to a yet unfounded experience at a higher cost. Remember, consumer behavior is eerily similar, no matter the product or offering when it comes to conversion and monetization. What makes ClassPass a potential threat to member conversion, and
(See "Insider Speaks" Page 17)

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... "Insider Speaks"

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thus, a competitor to your business? **First, they sell a membership subscription that your prospect is already a member of.** Need we tell the salespeople out there how hard it is to convert a prospect when they are already receiving functional, economic and potentially emotional value from an existing product? Second, they, like you, have the member's detailed information, actually more information than you do (they know what types of classes the member takes, when they take it and how frequently they take it). ClassPass is not likely to let that valuable member get away without giving it their best effort, neither would you, nor should they.

Furthermore, what is the chance that, through all the word-of-mouth and buzz ClassPass receives, they won't entice members to leave your studio and join them? We call this customer switching and research into the switching behavior of consumers shows that, if an offering with similar attributes and benefits is available at a considerably reduced cost, consumers will not hesitate to switch. Consequently, ClassPass could not only reduce your chances of converting new prospects, it could potentially cause existing clients/members to switch. Another consideration is ClassPass's impact on your businesses

value proposition, which unfortunately, is likely to be detrimental. Like Amazon did to retail, ClassPass could do to clubs and studios. By offering access to classes at a considerably lower price, ClassPass is telling consumers what your service (i.e. fitness class) is worth, and over the long term, this can diminish the perceived value of your offering, making it difficult for your business to maintain its price point without experiencing a decline in its client base.

As one studio operator expressed in a recent **nytimes.com** article, when you start to undercut the price point of your product, it's going to negatively affect the business long term. Finally, if it wasn't enough that ClassPass could impact your businesses value proposition, how about its potential impact on your existing member/client experience? A recent article from **nytimes.com** indicates that ClassPass has caused overcrowding in many studios, an experience that diminishes from the boutique experience, which is based on an intimate sense of community. ClassPass has raised a significant amount of venture capital and its investors expect a significant return on their investment, so ultimately, they will be inclined to follow the path that generates the greatest return on their investment, which is likely, at some point, to conflict with a studio's long-term objectives.

Final Insights

As reflected in the aforementioned discussions, ClassPass is both a partner and a competitor of clubs and studios that choose to leverage their offering. As a partner, they have clearly demonstrated the benefits they bring to the table. First, ClassPass has shown it can generate increased consumer traffic for clubs and studios (recent reports say approximately 1.5 million reservations a month and growing). Second, ClassPass pays for each guest who takes a class, and when combined with increased traffic, this can amount to significant incremental revenue a club or studio may not have received otherwise. ClassPass, by the very nature of its business model, and thus the large investments it has received, has also positioned itself as a competitor to your studio, and in doing so, it is leveraging your studio to build its value proposition, and consequently, competitive advantage. They understand the power of their value proposition and the incredible challenge it presents for its competitors (clubs and studios) desiring to convert ClassPass visitors into their own, and furthermore, the potential enticement the program offers for existing members on the prowl for a more satisfying and less costly fitness experience. They also understand that, if consumers are going to convert, it will occur quickly or not at all,

and consequently, the power of their value proposition on the front end.

As with any business decision, business owners must weigh the benefits (partner-size) and risks (competitor-size) of engaging with ClassPass. For some, the opportunity to build brand awareness on someone else's dime and generate additional short-term guest traffic and incremental revenue will prove to be the ultimate business aphrodisiac. For others, the potential of losing existing members to ClassPass, of sacrificing their value proposition (reducing the perceived value of their offering through price discounting), and finally, not converting a sufficient number of existing ClassPass users (inability to effectively monetize the opportunity) will prove to be a risk that poses a challenge to their future profitability. Our objective in writing this white paper was to put forward the facts so that, whatever decision you make, it's an informed one that will benefit your business.

(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.)

Summer, The *Real* Busy Season

By: Deneen Laprade

When used wisely, summer is a powerful set-up for the rest of the year and beyond. Now is the time to work on your business, which is in direct contrast to the rest of the year when all you have time for are daily operations that keep you busy open to close, every day.

Summer is when you have time to evaluate your year-to-date performance, prioritize what can be improved and put a plan in place. Essentially, you are taking 8 - 10 weeks out of 52 to move your business forward by a few degrees. When the weather turns cooler and member usage increases, you will have a refreshed member experience to share!

Internal Strategies are very important now for two reasons. First, member retention efforts should be prioritized. Show your appreciation for your members' loyalty by building small thank-you tactics into your daily operations.

Examples include free guest days, giving away water and towels in spin/yoga classes, smoothie samples after class, outdoor classes, fitness challenges tied into club usage over the summer months and a member cookout or picnic.

The second reason your attention should lean internally is to use this time to soft-launch new programs and introduce

new staff members. It's an opportunity to start small and smooth out the rough edges so that, by the time summer wraps up and your daily obligations once again take up most of your time, you are a well-oiled machine. It also gives members a glimpse of the fresh new fitness routines they can expect in the coming months.

External Strategies should be creative, low-cost and intriguing. Become the trusted advisor in your market by hosting charity workouts and participating in community events. Get out and meet your neighbors face-to-face to spread your message and give life to your brand.

Consistently post dynamic content to your website and on your favorite social media channels to improve organic search ranking and earn a following. Use low-cost marketing methods like prospect emails and guerrilla marketing pieces to generate an awareness of your location, and more importantly, what the member experience is all about.

Additional Considerations:

1. Establish your marketing objectives now for the rest the year. Review the first half of this year, analyze the results and determine where your business needs to grow. It's likely a combination of generating consistent leads, increasing membership dues, promoting profit centers

of the time. As you approach the front desk to ask to see the club, you encounter an indifferent front desk attendant that looks like they just rolled out of bed. The attendant does not seem too happy that he had to stop reading his magazine. As you look at the desk, it is full of clutter and appears to be completely disorganized. My quick judgmental conclusion was that, if they cared so little about how their front desk looks and how I am greeted, then how cluttered will the rest of the club be and how disorganized will their programs be? Will I receive any attention and support from the staff? Does anyone care about me? In the famous scene from the movie *Jerry McGuire*, Rene Zellweger tells Tom Cruise that, "you had me at hello." He had clearly made the right impression. In this case, you lost me when you made me feel like I was an inconvenience. It is going to be pretty difficult to believe the membership salesperson when they try to tell me about their great customer service.

These examples occurred in all types of clubs: independents, chains, franchised and studios. The first impressions upon arrival determined the

and improving member retention.

2. Consistent creative must be developed to ensure your brand message is clear. Colors, fonts, images, logos and taglines are all key elements of brand standards and must be consistent across all marketing pieces. Take the time and spend the money needed to develop a consistent cache of marketing pieces that are clean, consistent and powerful. Hire a single designer or agency to produce all of the marketing pieces you use, regardless of vehicle.

Clubs often unwittingly create brand confusion by developing marketing pieces internally for schedules, flyers and emails and employing a variety of external resources such as newspapers and printers to develop others. Subtle variations in font, colors and imagery are just enough for prospects to question whether this is in fact the same club that left the door hanger as the one that sponsored a team in the recent 5k. There is too much competition in your market to leave it to chance that your brand is clear.

3. Evaluate expenses. Take a look at payroll, insurances and utilities. Are they continuing to provide you with appropriate levels of service and are they cost-effective? Knowing that the needs of your business are constantly changing, this is a great time to evaluate these necessary items and quote new ones. You will be

positioned to take advantage of more coverage and better service for less money when contracts expire.

4. New Programs should be tested now. What have your members been asking for in terms of types of training and equipment? They aren't usually too shy to tell you what you should do next!

Prioritize the requests from staff and members to decide which make the most sense for the club and get started. Staff, space, equipment and pricing, marketing all need to be mapped out before you can effectively sell fresh programming. You can test things out on smaller scale now to

(See Deneen Laprade Page 19)



Deneen Laprade

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(See Deneen Laprade Page 19)

place to look. How a home is staged for sale is all about creating a great first impression, making a potential buyer imagine the home becoming his home. There are several real estate websites that discuss how to effectively stage a home for quick sale at maximum price. Show some examples of homes for sale from your local real estate websites. Discuss the characteristics of the ones that have been well-staged vs. those that have not. You might even consider touring a new furnished model home as a point of comparison. Then, look how some of those characteristics for staging a home for sale can be applied to your club.

In this hypercompetitive environment within the club industry, no one can afford to make a bad first impression and expect to be successful. Don't lose prospects in the parking lot or at the front desk.

(Dr. Art Curtis is President of Curtis Club Advisors and former IHRSA Chairman of the Board. He can be reached at art@curtisclubadvisors.com.)

...Dr. Art Curtis

continued from page 16

falling apart. Do I even want to go in? If the lighting outside is so bad, do they care about my safety? I have clearly judged the book by its cover! How many prospects would do just that and simply drive away without ever going in? If they did go in, how do you think the experience in the parking lot would influence how they judge what they see on the inside? Would they be looking for all the bad things on the inside to reinforce their negative judgement formed on the outside? The science tells us that, once this rapid judgement is made, it is very difficult to change. You have lost the prospect *in the parking lot!* (By the way, in every instance where I saw a club with one or more these conditions in the parking lot, I found that I had to be very careful not to lose my objectivity when viewing the inside of the club and not giving in to the negative bias that was created by the negative first impression from the exterior of the club).

•Variations on this third example also occurred too frequently, about 15% to 20%

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...Deneen Laprade continued from page 18

learn who and what is the best fit before you promote it to the masses. This way, you start the fall season with new offerings that are ready to perform as you need them to.

5. Clean, paint and make improvements. It's much easier to work on the facility when usage is lower. Tackle the quick easy fixes first and plan bigger projects like painting, and my favorite, repurposing space that has been ineffectively used in the past for revenue-generating programs.

There is so much you can do to revitalize your business and create fresh member experiences when you have the time to focus. Summer is that time.

(Deneen Laprade is an accomplished leader in fitness and wellness with the ability to create and manage effective marketing campaigns and programs that result in revenue growth, increased profits and member retention. As a Marketing Coach with Susan K. Bailey Marketing and Design, she consistently applies her years of experience at the club level to meet the marketing needs of her clients. You can reach Deneen by email at deneen@skbailey.com or by phone at 888-349-4596. Also, check out www.susankbaileymarketing.com)

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Active Wellness, LLC and St. Joseph Health Join to Redefine Wellness

SAUSALITO, CA - Active Wellness, LLC and St. Joseph Health announce a joint venture to develop new models for health, wellness, lifestyle management and illness prevention in both the work and residential setting. This breakthrough collaboration is re-imagining healthcare and fitness.

"St. Joseph Health and Active share a vision of outcomes-oriented health and fitness," said Bill McBride, Co-Founder and President & CEO of Active Wellness. "We're thrilled and positioned to deliver this convenient new model that integrates all aspects of good health and wellbeing, backed by science, fun, technology and service. It's an exciting time for Active Wellness to partner with the renowned St. Joseph Health as we forge ahead on our mission of positively impacting the health and happiness of as many people as possible."

"We're thrilled to introduce Active Wellness to our communities," says Annette Walker, Executive Vice President of Strategic Services at St. Joseph Health.

"Bringing health and wellness closer to where people live and work is a passion of ours, and with this new partnership, we can truly impact keeping our communities healthy," Walker continued. "Our organization has introduced breakthrough concepts for helping employers and individuals achieve healthier lifestyles. Now, with Active Wellness, we have the fitness partner necessary for expertise in virtually all aspects of health and wellness."

Active Wellness, LLC is a specialty management company that provides a unique and comprehensive spectrum of services bringing the latest fitness and wellness programming to the more complicated world of outcome-driven health improvement. Now, in partnership with St. Joseph Health, the two organizations will expand their services in the rapidly growing world of wellness, delivering integrated lifestyle management services to employers, workforces and communities across the country in a new convenient model that makes health,

fitness and wellness more accessible than ever.

St. Joseph Health is a dedicated health and wellness partner to its communities. Long known for providing outstanding health facilities, St. Joseph Health is on the leading edge of offering health and wellness programs and centers where people live and work. It is actively expanding their network of care with convenient, cutting-edge wellness services in their newest concept, The Wellness Corners in both residential and corporate communities in Irvine, California. These centers have yielded measurable success resulting in increased productivity and a decrease in those rated high risk for chronic disease.

"We've been in the business of helping people get fit for over 30 years", said Jill Kinney, Co-Founder and Chairman of Active Wellness. "But now, we are taking it a step further. With employers and consumers seeking more value in health care, our partners need more than just



Bill McBride

fitness and a 'Lunch and Learn.' They want outcomes. Together, we bring the fun and the engagement that attracts a broad range of people and the technology, science and clinical support that will allow us to truly provide accountable care in a convenient new model."



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How to Create a Marketing Machine

By: Casey Conrad

Marketing: we all need it, we all do it, but most of us aren't satisfied with the results we're getting from it. There are two primary reasons why clubs aren't maximizing their marketing efforts. First, they don't have a 12-month marketing plan that utilizes a diverse number of mediums to create a synergistic effect in their marketplace. Sadly, most make decisions month to month. Second, operators don't make a clear enough distinction between marketing and sales with their membership departments. As a result, one of the most powerful marketing tools, salespeople, don't help drive membership sales. The end result is that, all too often, sales are only from those prospects already walking through the doors. It may sound like doom and gloom, but the great news is that, for most clubs, there is an incredible untapped potential for creating a club marketing machine. Let's explore those possibilities.

We've all heard the expression, "proper prior planning prevents poor performance." This adage certainly holds true for marketing. Successful clubs have a well thought-out marketing plan that includes something from ALL of the following efforts EVERY month:

External, like newspaper, direct mail, Google Adwords, Facebook Ads;

Internal, such as referral campaigns, alumni and missed guest strategies;

Guerrilla, including such things as lead boxes, flyer drops, joint marketing with local businesses and general one-on-one networking.

Corporate, which would be any way to promote memberships to local businesses;

Community, which is any PR or philanthropic effort that creates goodwill.

Clubs that use a majority of their monthly marketing budget towards traditional efforts get some response, but clubs that take the same budget and disperse the money out over all five of the marketing efforts get a much greater number of leads and membership sales. And, yes, this is still true in today's digital world!

The reason for this is because a customer needs to see, hear, read or experience something about a product or service 5 +/- 2 times before they will respond. These are called "exposures." Therefore, if a club has diverse marketing efforts, prospects are much more likely to meet the threshold of 5 +/- 2 exposures quicker, resulting in their taking action to call or visit your club sooner. Of course, an entire book could be dedicated to this subject. My goal in discussing it here is

to simply make you aware of the need and motivate you to begin formulating a comprehensive annual marketing plan.

If a club's comprehensive marketing plan is the machinery, it is necessary to have the right operators to run the machinery. This is where the second aspect of effective marketing is applied: knowing the difference between marketing and sales AND how to operationally manage those differences. Let's begin with identifying the differences.

Marketing involves any activity that is designed to generate prospects now or in the future. "Sales" or the selling process only begins once a prospect has been identified and involves any activity designed to earn that prospect's business. Obviously, marketing must occur before the sales process begins. All too often, club operators hire salespeople without clearly defining and establishing expectations as to the role that person must take in marketing. This can easily result in a sales staff who waits for information calls and walk-ins and resents being asked to self-generate leads. Operationally, there are three key things that club operators can do to ensure that the salespeople they hire become part of the marketing machinery.

First, club operators need to hire natural marketers. This means someone who instinctively likes telling other people about a product or service they are involved or are even just happy with. Many employers are under the impression that all salespeople are natural marketers, but that just isn't true. Often, aggressive salespeople are so focused on closing deals that they get too easily frustrated with the prospecting process.

The interview process is the ideal time to find out if a candidate is a natural marketer. At some point in the interview, turn to the candidate and say the following, "Let's assume for a moment that I have absolutely no marketing budget. That said, we still will need to generate new sales. Take a minute to think about that and then tell me how you would go about bringing new sales into the club?" A natural marketer will immediately say things like, "Well, the first thing I'd do is call all my friends and family and try to get them down here. Next, I would go down to the mall and pass out cards, flyers or whatever we could." I once had an interview where the young lady said, "I used to work at Bob's Stores, and we sold a ton of sneakers. I could go back and talk to the manager and see if we could put a promotional piece in every box of sneakers." I hired her, and she was fabulous.

Any type of response whereby the person quickly thinks of ways to get out and talk to people is a good indicator

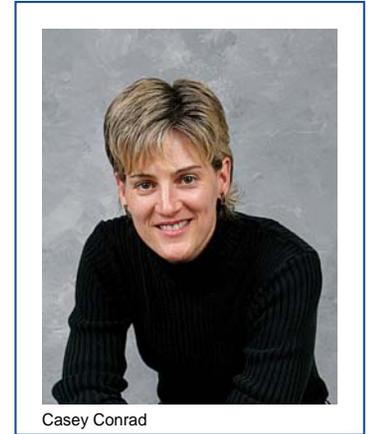
that he is comfortable networking and marketing himself, even if his interview ideas are way off the mark. Conversely, if the person responds with such things as, "Maybe we could work a trade with the local paper," red flags should go up as to his ability and willingness to network and market.

The next operational key to creating a marketing machine at your club is to involve the entire staff in generating guerrilla marketing ideas and implementing them. The ideal time to launch this is at an all-staff meeting where you can mix employees up into diverse groups to maximize creativity and tap into the existing networking relationships current staff have in the community. If an all-staff meeting isn't a reality or is not scheduled soon enough, individual department meetings are the second best forum.

Here's How To Do It

Open the meeting by telling everyone that you have convened to ask them for their creative assistance in finding low- or no-cost ways to generate networking and guerrilla marketing activities within the community. Next, share with everyone the importance this type of marketing has on the overall success of the club in generating new prospects, letting them know that traditional forms of marketing are both expensive and decreasingly effective. It is quite effective to ask the group, "Guess what the average marketing cost is for us to generate one new member?" Let the group yell out their guesses, which are always a fraction of reality; when they hear what the actual costs are, they are usually anxious to assist. Then, give the group 5-10 examples of networking and guerrilla marketing activities that have been done successfully over the years. Next, divide into groups of 5 or 6 people (this size allows most people to feel comfortable speaking up). Have one person volunteer to be the scribe and give them 30 minutes to come up with as many creative ideas for networking and guerrilla marketing as they possibly can. Let them know that no idea is too crazy, as one idea may spark or morph into another.

Club operators are always amazed to find out how many people on their staff have incredible contacts within the community AND wonderful, creative marketing ideas. Best of all, with the entire focus on low- or no-cost, these ideas are inexpensive but effective. One way to make the event even more interesting is to add a competitive angle to the meeting. Give prizes to the team that comes up with the most ideas or the team that has the best single idea. Any way to add some



Casey Conrad

excitement to the brainstorming process will pay off in the end.

Of course, tapping into employees for creative marketing ideas needn't be limited to an annual meeting. One club I worked with constantly encouraged staff members to think of new low-cost marketing and networking opportunities by offering a financial incentive. Each month, the owner would identify the best idea and give a \$25 bonus to the employee who had made the submission, along with an announcement to the rest of the staff. If the club used the idea at any time in the future, and the employee was still working for the company, they received a \$100 bonus if the program was successful! These types of incentive programs create a culture of employees who become marketing machines, regardless of whether or not they are officially in "sales."

The third operational key to creating a marketing machine at your club is establishing set goals and times each week for salespeople to complete their guerrilla marketing activities. Often, managers instruct salespeople to "get out and network," or "go out today and do some marketing." That is like sending a 5-year old up to their room to "clean it up." For effective marketing and networking to be accomplished, a manager must set specific goals for each time a salesperson goes outside the club to market. "Today, you are going to place three lead boxes and four take-ones." Or, "Today you should distribute 200 flyers at a minimum of ten businesses with similar clientele." Although these seem like "old fashioned" concepts, they still work within your local communities.

In addition, clubs must have tracking sheets that salespeople use as an organizational tool and managers use as an accountability tool. For example, when monitoring lead boxes, a single tracking sheet that monitors the date the box was

(See Casey Conrad Page 24)

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- *Donna Kueh*

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Karen Woodard-Chavez' 2nd Annual Results, Retention and Revenue Summit a Success!

BOULDER, CO - The 2nd Annual Results, Retention and Revenue Summit was held in Boulder, Colorado, June 10 - 12, presented by Karen Woodard's Premium Performance Training and sponsored by MATRIX and The National Independent Health Club Association.

The event was three days of Club Owners, Managers and Membership Directors learning how to improve their corporate sales

results and non-dues revenue sales results as well as to become more effective leaders in their organizations. The format included lectures, panels, activities, best practice discussions and social engagement.

Forty-four clubs were represented from New Jersey, Maryland, California, Montana, Colorado, Maine, Michigan, South Dakota and Minnesota. The event attracted athletic clubs, fitness centers, tennis clubs,

country clubs, hospital based wellness centers and community centers.

Comments From The Event:

"The Summit was well worth my time. I am happy I attended." - **Gary Rubin**, *Point Loma Athletic Club*

"This information was GREAT! I found so

much value in all areas of the training." - **Amy Musgrove**, *PEAK Health and Wellness Center*

"I had several AHA moments with the leadership part of the Summit that will enable me to become a better leader and have my team become their own leaders. Love Karen's style of presenting; very engaging." - **Michelle Johanning**, *Cherry Creek Athletic Club*

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- 11 countries and 20 U.S. states are represented;
- 49% are owners, general managers or

executives;

- 36% are department managers or senior staff;
- Participants work in large clubs, small studios, franchise facilities, corporate fitness centers, mixed martial arts clubs, training facilities or are developing clubs. With small class sizes and a **4 to 1 student / instructor ratio**, The IHRSA Institute is designed to help students easily connect with faculty and peers. The curriculum will immerse you in **all aspects of running a successful club**. This unique program has

been dubbed "IHRSA's best kept secret" by past participants, who have given it rave reviews.

To hear more about The IHRSA Institute, listen to my recent interview on The Fitness Business Podcast by going to: <http://bit.ly/clubinsider10>

Your tribe is waiting for you.

Pam O'Donnell
VP of Member Experience, IHRSA

"I really enjoyed the different scope of topics covered as well as the different pointers that can be integrated into our own sales process." - **Tyler Hoerner**, *Sales Director, Miramont Lifestyle*

"What an amazing 3 days with amazing people! Thank you Karen for a wonderful experience. NIHCA truly values the relationships that we built with the other facilities; these are good, smart, fun people! But, better yet, they are people who understand the importance of bettering themselves and making connections that will deepen their investment into their clubs. It was the best relationship building conference NIHCA has ever been to, and we hope to continue building those relationships." - **Holly Johnson**, *Executive Director, NIHCA*

...Casey Conrad

continued from page 22

set, each time it was checked, how many leads were obtained from the box and who checked the box is a must. This type of tracking must be done for every guerrilla marketing activity. Although some owner/operators may think this is excessive micromanagement of employees, one must remember that you must inspect what you expect if you want to maximize productivity.

By creating a diverse annual marketing plan, hiring natural marketers for your sales positions, engaging the entire staff in the creation and implementation of low-cost/no-cost guerrilla marketing efforts and being sure that salespeople have clear goals and accountability systems when they leave the club to market and self-generate business, your club can create a wonderful marketing machine. With consistency, the results will be a greater number of prospects at a lower customer acquisition cost. We all understand it; we all want it but only those that follow the steps necessary to accomplish it will reap the rewards!

(Casey Conrad is the President of Communication Consultants, a club consulting company that specializes in sales and marketing. She is the author of Selling Fitness, Selling Personal Training and Internet Marketing for Health & Fitness Clubs, among many other CD's, DVD's and online training programs. She can be reached at Casey@CaseyConrad.com and her website is www.HealthClubSalesTraining.com)

The IHRSA Institute was an amazing experience! It gave me the opportunity to network and exchange ideas with other GMs from all over the world! The opportunity to interact with the speakers was invaluable.

~ George Dossas, General Manager, Commonwealth Sports Club, Boston, MA

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Programming For The “Fun Of It!”

Recruiting and Hiring Trainers For Small Group Training Management Success

By: Laurie Cingle, M.Ed.

Success with Small Group Training (SGT) is based on 7 Keys: (1) Leverage Your Offerings, (2) Hire and Retain Champion SGT Trainers, (3) Define Metrics, (4) Identify a SGT Manager, (5) Create a Space, (6) Outline a Marketing Plan and (7) Develop a Budget. Last month, we discussed Hiring Champion Small Group Trainers. The focus of this article is **Key #2, Retaining Champion Small Group Trainers**.

Retaining your trainer team, especially those who generate the most revenue, is essential to the success of any SGT business. A key component of growing the business is to focus on actions to increase the commitment and

loyalty of your trainers. The best way to do this is to implement a motivational system combining both financial and non-financial rewards.

Financial Rewards:

Many facility owners and managers are unsure of what to pay Small Group Trainers. One reason is that SGT is often looked at differently than Personal Training. Think carefully about this in terms of your business and decide if you will pay Small Group Trainers the same way you pay Personal Trainers or if your preference is to implement a separate payment system.

If you choose to implement a separate system, trainers can be paid one

of 4 ways: (1) straight commission (40%, 50%, 60% of session value); (2) flat session rate (\$40/session); (3) per head flat rate (\$8-\$20/head) or (4) combination of commission and flat rate. Regardless, compensation should be straightforward and easy to calculate. It should be based on performance and driving more revenue to the facility. Be consistent for all Small Group Trainers using the same formula.

Set the system up to retain the best trainers, not the cheapest, as they'll always attract more clients. As your SGT business matures, consider linking the SGT compensation system to a bonus system. The key is to pay and reward the trainers who are good to your business.



Laurie Cingle

Non-Financial Rewards:

Non-financial rewards can be as powerful as, or more than, financial ones. Most trainers are highly receptive to them. Think about providing:

- A strong team mission and goals;
- Ongoing team-building activities, including in-house education, parties, convention trips;
- Opportunities for personal growth (up-skilling) and career paths;
- Time to listen to them and let them know they're valued;
- Sponsored clothing;
- Discounted family

memberships and child care; •Team and individual recognition; •Facilities and tools they feel proud of, and •Great leadership; be a strong coach.

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

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Thanks and Appreciation

At CLUB INSIDER, we are excited to be in our **22nd Year** of this home-based health and fitness club trade newspaper! The thought that this newspaper was *founded to serve an industry I truly love*, and so that *I could become a Mister Mom for my son, Justin*, is still *intriguing and amazing* to us. I wish to extend our most sincere **Thanks and Appreciation** to everyone that's made this amazing 22-year run possible.

A very sincere **Thanks and Appreciation** go to **Rick Caro, Dr. Gerry Faust** and the **Faust Executive Roundtable #1** for helping me decide in 1993 what my home-based business would be. **Thanks and Appreciation** to my long-time friends, **Ron Hudspeth** and **Cathy Miller of Atlanta's Hudspeth Report** for the tremendous assistance they provided us during our *first 8 years of publication*. **Thanks and Appreciation** to all of the folks at **Walton Press** in Monroe, Georgia. They've done an absolutely excellent job for us all these years and have printed every one of our **259** 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 19 years advertising with us! We also want to say sincere **Thanks and Appreciation** to all of our **CLUB INSIDER Contributing Authors**, past and present, who've contributed *hundreds and hundreds* of excellent articles to help our readers with their Best Business Practices. **Thanks and Appreciation** to **IHRSA** for all it does.

Sincere **Thanks and Appreciation** to my son, **Justin**, who started working part-time for CLUB INSIDER when he was just 8 years old (helping with mailings). This young man, pretty much behind the scenes for 22 years now, has truly been a fantastic partner for his Dad in CLUB INSIDER. Justin does our editing, publication layouts, all of our website design and maintenance, all of our bookkeeping and subscription processing work, as well as archive management and anything else that needs doing, including writing eight cover stories per year.

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

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

Norm Cates, Jr.

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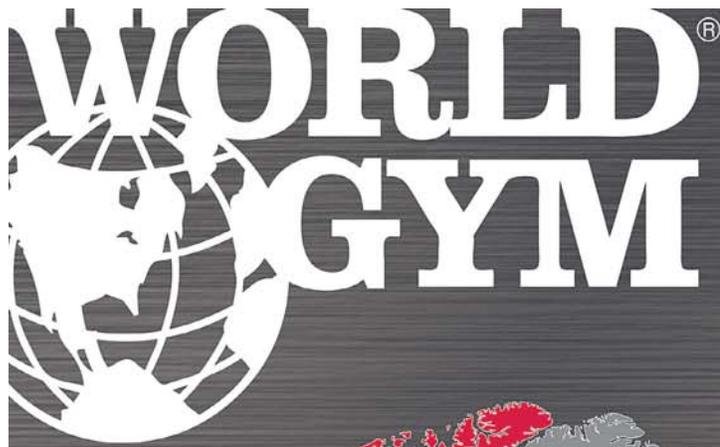
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