

Norm Cates'

CLUB INSIDER

CELEBRATING 26 YEARS OF TRUST

Barry's Bootcamp

Inside the Red Room With CEO, Joey Gonzalez



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CLUB INSIDER

CELEBRATING 26 YEARS OF TRUST

Barry's Bootcamp Inside the Red Room With CEO, Joey Gonzalez

By: Justin Cates

Having numerous friends who live in Los Angeles and New York, I've seen social media posts about Barry's Bootcamp for years. As an industry participant, it's also my job to know about the always expanding plethora of brands our industry has to offer. This month, those two meet in the following cover story about Barry's Bootcamp. Within this story, you will hear from **Joey Gonzalez**, customer turned instructor turned CEO of Barry's Bootcamp, and his incredible journey with the brand. You will also hear from **Jon Canarick**, Managing Director of North Castle Partners, about their investment/partnership in Barry's, what they look for in companies like Barry's and what they bring to the table in

partnership. So, let's dive right in!

Barry's was a boutique before boutique was, well, anything... Founded in 1998, it would be more than a decade before the industry heard the word "boutique" and the ramifications that movement has brought. Being first to the party, though, does not mean one can rest on their achievements of old. Joey Gonzalez saw this and continued to evolve the Barry's brand into what it has become today. As boutiques have now popped up everywhere, Barry's has evolved to keep pace and remain a market leader. Utilizing a more conservative approach to growth than many, Joey is also ensuring Barry's will be a constant as others undoubtedly come and go.

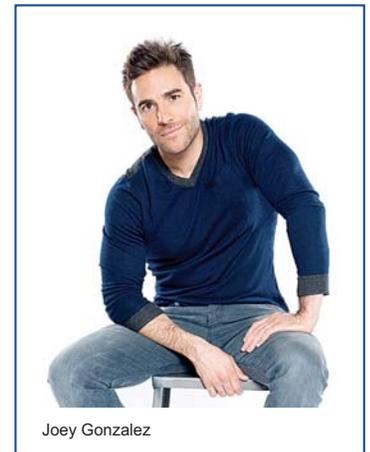
The concept of Barry's is simple,

but its execution of the concept is where the magic happens. This has created a loyalty among its users that can only be described with one word: **Family**. This month, inviting **Club Insider** into the *Barry's family*, I invite you to read on as Joey Gonzalez takes us into the Red Room and discusses what Barry's is all about.

An Interview With Joey Gonzalez, CEO of Barry's Bootcamp

Club Insider (C.I.) - Where did you go to school, and what did you study?

Joey Gonzalez (JG) - I went to USC and studied Humanities with an emphasis in Theatre. I had actually been an actor growing up. I joined SAG when I was 13 (See *Barry's Bootcamp* Page 10)



Joey Gonzalez

Cedardale Founder, John Edwin Veasey, Passes Away at 89 February 17, 1930 - June 27, 2019

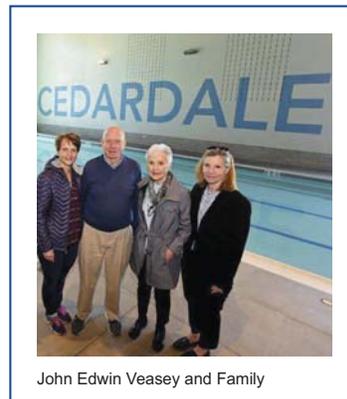
HAVERTHILL, MA - John Edwin Veasey, a lifelong resident of Haverhill, passed away in the company of his family on June 27, 2019 at his home on Brockton, Avenue.

Born February 17, 1930 to Decia Beebe and Arthur Hale Veasey, John Edwin grew up at 5 Windsor Street in Haverhill with three siblings: Arthur Hale Veasey, Jr.; Decius Beebe Veasey; and Katherine Ensign Veasey. Affectionately known to his friends and loved ones as "Ed" or "Eddie," he devoted his life to his family, country, friends and community.

Ed attended high school at Governor Dummer Academy in Byfield, Massachusetts, graduating in 1949. He enrolled at Syracuse University and joined

the Delta Kappa Epsilon (DKE) fraternity, eventually becoming President of the Phi Gamma Chapter of DKE. He enjoyed a stellar career on the varsity lacrosse team, rounding out an All-American squad as a high-scoring midfielder. While at school, Ed also had the profound pleasure to meet and court Zoe Mary Marshall, a young woman from Munnsville, New York, who quickly became the love of his life. The two graduated in 1953 and were married shortly thereafter.

Upon graduating, he enlisted in the Marine Corps and underwent basic training at Paris Island, South Carolina. He became a 1st Lieutenant while stationed at (See *John Edwin Veasey* Page 6)



John Edwin Veasey and Family

TPG Partners With Crunch Fitness

SAN FRANCISCO, CA; FORT WORTH, TX; and NEW YORK, N.Y. - TPG Growth, the middle market and growth equity platform of alternative asset firm TPG, announced that it has partnered with company management to acquire **Crunch Fitness (Crunch)**. The transaction includes Crunch's company-owned "Signature" facilities, as well as its global franchising business. Financial terms of the transaction were not disclosed.

"The investment from TPG is a testament to Crunch's distinct brand, great facilities and strong management and club teams. Under the leadership of **Ben Midgley** and **Keith Worts**, we've been able (See *Crunch Fitness* Page 6)

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■ FitLife Celebrates 40 Years! - Part II - By: Norm Cates

■ Are You An Asset or a Liability in Your Workplace? - By: Karen Woodard-Chavez

■ Jackpot: What Can Slot Machines Teach Us About Driving Higher Paid Group Training Margins? - By: Ron Alterio

■ Peloton's Infringement Lawsuit and What It May Mean for Health and Fitness Clubs - By: Paul R. Bedard, Esquire

■ Basics of Estimated Taxes for Individuals - By: Kristen Deazeley

■ IDEA Health & Fitness Association Honors Industry Leaders at the 2019 IDEA World Convention

■ Recipients of Two 2019 IHRSA Institute Scholarships Announced

■ And, of Course, *Norm's Notes*

Norm's Notes

■Hello Everybody! This is your Club Insider Publisher and Tribal Leader Since 1993 checking in with our 307th monthly edition of Club Insider! Dudes and Dudett's... Justin and I want to Thank You for reading Club Insider. We appreciate the fact that your eyes are on this writing right now, and we hope you receive value and knowledge from your reading. Don't forget our Club Insider Archive Library, which now has over 10,000 pages containing 307 monthly editions of Club Insider! Check it out at www.clubinsideronline.com/archives.

■Is America a GREAT Country, or what? Mmm... mmm... mmm!!! God Bless America, and God Bless ALL of you!

■I'm very sad to report that ED VEASEY, one of the Founders, of the magnificent Cedardale Club in Haverhill, Massachusetts with our great friend, DALE DIBBLE, has passed away at age 89. Our sincere condolences to Ed's wife, ZOEY and their five, now grown, children: ADA McKENZIE; VALERIE VEASEY; JOHN VEASEY, Jr.; KATE SIROIS; and CAROLYN JACKSON. And, his thirteen grandchildren: BRYCE McKENZIE, MARSHALL McKENZIE, GRACE VEASEY, KATIE VEASEY, ADDIE McKENZIE, ZOE McKENZIE, EDWIN SIROIS, LUCILE SIROIS, LELAND SIROIS, LAWSON SIROIS, BEEBE JACKSON, VEASEY JACKSON and

LIBERTY JACKSON. May ED VEASEY REST IN PEACE. See Ed's Obituary starting on Page #3. Sincere Thanks to JOHN McCARTHY and BILL McBRIDE, both of whom were kind to send notice of Ed's passing to me.

■A belated Happy 4th of July everybody! Yeah, I know you're thinking, *Norm the 4th of July is way over!* So, of course, this is a *belated Happy 4th of July* since I'm sitting here on Thursday, the 4th of July plugging away at this Labor of Love we call Club Insider, producing and sending it to you every month. As I've watched the TV coverage of the 4th of July activities across this great land, one of the biggest events in the USA today is happening right here in Atlanta, Georgia where over 60,000 runners celebrated the 6.2-mile Peachtree Road Race's 50th Anniversary. What a story that one is. Years ago, I was a regular participant in the Peachtree Road Race. Beyond the Peachtree Race, one year, on a bet with a friend that I couldn't do it, I ran the Atlanta Thanksgiving Marathon 26.2-mile race with just three weeks of training! Haha! People don't believe it when I tell 'em that, but it's true. My time on that rainy Thanksgiving morning in 1984 for the 26.2 miles was 4 hours, 54 minutes and 33 seconds! Have you ever run a Marathon? If you have, I would love to hear about your experience.

■Last month, in our Cover Story about FitLife, we shared comments from FitLife leaders, Executive Director, NEAL SIMPSON, and long-time leaders, CHUCK RICHARDS and MARK EISENZIMMER. We had planned to also hear from JENNIFER HARDING, a top FitLife leader over the years, but she was on a trip to Spain. So, this month, in a short Part II follow-up article, we share comments from Jennifer, and we know you'll enjoy reading them on Page #18.

■I had just written these words, "The biggest breaking news of late is that TPG Growth, the middle market and growth equity platform of alternative asset firm TPG, announced that it has partnered with company management to acquire Crunch Fitness," when Fox News broke in with breaking news about a 6.4 magnitude Earthquake in the Los Angeles area. Two days later, a second quake of 7.1 magnitude hit. Since then, there have been over 2,500 aftershocks! Miraculously, nobody has been reported as killed. If you're in the region, I want you all to know that I'm praying for all of you, your homes and your clubs.

■Sadly, a shopping center in Plantation, Florida, where a LA Fitness is located, experienced a huge explosion, and 23 LA Fitness Members were injured. It's believed that the explosion happened in an out-of-business pizza store in the shopping



Norm Cates

center. The center will be demolished. Our prayers are with all of those injured to make full recoveries.

■Our Club Insider Cover Story for March, 2019 was about PETE MOORE and his New York City-based company called INTEGRITY SQUARE. As part of our experience with Pete, we were invited on what Pete calls, "Halo Talks," which are audio tapings with leaders and veterans throughout the health and fitness club industry, or as HALO is defined: Health, Active, Lifestyle and Outdoors. They appear on www.halotalks.com. Well, Pete was kind to provide us with a link containing (See Norm's Notes Page 7)

About Club Insider

CELEBRATING 26 YEARS OF TRUST

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Are We Ready for the 55+ Market Growth?

By: Denise Johnson, MS

Aging adults (age 55 and older) is a market that is growing fast and will continue to grow for the next 20-30 years. This is a unique population requiring a different set of needs, interests and desires. So, the questions become: are we, as a fitness industry, ready for this? Do we, as fitness professionals, have an understanding of the needs of this market to correctly train this population?

I had the pleasure of taking the **Functional Aging Specialist Certification** through the **Functional Aging Institute at the IDEA Convention** this past June, and with that experience, I learned a great deal about training this population in a way I had not thought about before.

There are so many physiological changes that occur as we age: muscle

strength and power declines after age 40; muscle endurance declines; motor performance and control meaning reaction time increases; flexibility and joint ROM decrease in hip, spine and ankle flexion; muscle tendon elasticity decreases, cardiac function, maximal heart rate, stroke volume and cardiac output declines; bone density declines .5% per year after age 40; metabolism declines; and these are just a few. There are many more we can all look forward to as we age. The good news is that research shows that exercise can counteract these changes in varying degrees.

Functional Training for the Older Adult

The area I would like to address is that of functional training for the older adult. This is not your typical functional training for

younger people. Initial investigations have concluded that functional training is more effective than traditional resistance training for improving function. As trainers with a potentially high-risk population, we need to consider a few things when functionally training the aging client:

1. Every aging client is different and comes with his own unique set of concerns and goals, so an in-depth health history should be completed.
2. Assessments are a great tool to understand your client's abilities and limitations.
3. Focus and prioritize your exercise routine. Areas of weakness should always come first and may be the only area of focus.
4. Be cautious in selecting training



Denise Johnson, MS

methods, techniques, specific exercises, (See **Denise Johnson** Page 7)

...John Edwin Veasey

continued from page 3

Quantico, Virginia and spent nine months of his commitment as an embarkation officer in Japan. He thoroughly enjoyed his time as a proud member of the Marines.

After leaving the service, Ed took a job as a mortgage teller at the Haverhill Savings Bank, and eventually, he enrolled in the Graduate School of Savings Banking at Brown University. He obtained his degree and assumed the role of Vice President of the Family Mutual Savings Bank. Later, he became the Director of TB Banknorth, a position he held until his mandatory retirement at age 72.

While at the bank, Ed, with the help of his wife and two business partners, founded Cedardale, a four-court tennis

club on Boston Road in Haverhill in 1971. Together, they grew the club from humble roots into one of the largest and most successful multipurpose health and fitness clubs in the country and a true fixture in the Merrimack Valley. Ed was intimately involved at Cedardale from the beginning, and with his family, he actively managed a two-year rebuild and reopening after the original building burned down in the winter of 2017.

In addition to serving his country, Ed was very active in his community. He was a Freemason and member of Merrimack Lodge F. & A.M. and served on the Board of Trustees of the Haverhill Public Library for many years. He also gave his time as the President of the Haverhill Chamber of Commerce and was involved with the Haverhill Rotary Club. Ed also loved his

many years with the Monday Evening Club, a 25-member group that has been active in Haverhill since 1860.

In his free time, Ed enjoyed an unparalleled ardency for sailing, a lifelong passion that he excitedly shared with everyone he knew. He skippered many cruises in his lifetime, including adventures to Alaska, Bermuda, Labrador, Newfoundland and Nova Scotia. Every summer, he could be found at the helm of the "Thistle" and the "Zoe Mary," named for his wife and devoted first mate, plying the waters around Squirrel Island, Maine, where he spent his summers at the Veasey family vacation home.

In the wintertime, he enjoyed weekends in North Conway, New Hampshire, pursuing his other passion, skiing the slopes of Bretton Woods and

Wildcat Mountains. He was also an avid tennis player and could be found on the courts at Cedardale nearly every day.

Ed is survived by his wife, **Zoe**, and five children: **Ada McKenzie**; **Valerie Veasey**; **John Veasey, Jr.**; **Kate Sirois**; and **Carolyn Jackson**. He is also survived by his thirteen loving grandchildren: **Bryce McKenzie**, **Marshall McKenzie**, **Grace Veasey**, **Katie Veasey**, **Addie McKenzie**, **Zoe McKenzie**, **Edwin Sirois**, **Lucille Sirois**, **Leland Sirois**, **Lawson Sirois**, **Beebe Jackson**, **Veasey Jackson** and **Liberty Jackson**.

In lieu of flowers, Ed and his family have requested donations be made to the **Massachusetts General Hospital Cancer Center**, 55 Fruit Street, Boston, MA 02114, and the **Haverhill Public Library**, 99 Main Street, Haverhill, MA 01830.

...Crunch Fitness

continued from page 3

to create a fun, team-focused, and fitness-minded atmosphere that our members, team and franchise partners embrace and enjoy," said **Jim Rowley**, CEO of **Crunch**. "With the support of our new partners at TPG, we're well-positioned to accelerate this offering. We look forward to working together to enhance our capabilities and expand Crunch's footprint across the globe."

Founded in 1989 in New York City, **Crunch** "The Original No Judgments gym" is a leading health and fitness company. The company owns, operates and franchises more than 300 fitness centers serving more than 1.3 million members across the United States, Australia, Canada, and Spain. **Crunch** is led by **Mark Mastrov** and **Jim Rowley**, two industry veterans who previously built and ran 24 Hour Fitness. **Mastrov** and **Rowley** acquired **Crunch** with the private equity arm of **Angelo Gordon**

in 2009 and began franchising the brand in 2010.

"At **Crunch**, we strive to provide our members with more than just a fitness experience. We're a diverse community of real people that seeks to encourage, empower, and entertain," said **Mark Mastrov**, Chairman of **Crunch**. "With **TPG**, we've found a partner that understands our vision and industry. They have a long history of working with companies to build authentic brands, and we're excited to welcome them to the **Crunch** team."

With a range of membership options available, **Crunch's** business model focuses on providing its members with a superior fitness offering at a compelling price point. Memberships include access to high-quality cardio and strength equipment, dynamic group classes and personalized training programs. **Crunch Signature**, the brand's premier offering, provides members with expanded facilities, upgraded amenities, dedicated RIDE and yoga studios, full-service locker rooms

and more. Since the company launched its fast-growing franchising operation in 2010, it has represented one of the industry's most progressive and competitive models. **Crunch** is actively pursuing franchise expansion, with several territories still available domestically and internationally.

"We partner with great management teams that drive their industry forward, and **Jim**, **Mark**, **Ben** and **Keith** have pioneered a business model that has transformed **Crunch** into the innovative and inclusive community it is today," said **Jonathan Coslet**, Chief Investment Officer at **TPG**. "We're excited to partner with the **Crunch** team as they look to continue their growth, including their global franchise network."

"Consumers across every age group are prioritizing health and wellness more than ever before. **Crunch** is capturing that consumer interest by providing a unique, high-quality and affordable gym experience," said **Chris Kelly** of **TPG Growth**. "With more than 300 locations, the

company has created a strong infrastructure for continued, meaningful growth."

TPG's investment in **Crunch** builds on the consumer team's strategy of investing in companies that are creating elevated experiences, catering to the unique interests of consumers. In 2015, **TPG** partnered with **Life Time**, a comprehensive athletic lifestyle resorts chain focused on healthy living, healthy aging, and healthy entertainment. Other relevant investments include **Beautycounter**, an advocacy-driven beauty brand, **Mendocino Farms**, a chef-inspired, farm-to-table restaurant chain, and **Philz Coffee**, a third-wave coffee house that specializes in custom-blends and handcrafted drip coffee.

Citigroup Global Markets Inc. acted as exclusive financial advisor and **Akin Gump Strauss Hauer and Feld LLP** served as legal counsel to **Crunch**. **Piper Jaffray & Co.** acted as financial advisor and **Kirkland & Ellis** served as legal counsel to **TPG Growth**.

...Norm's Notes

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our talk in **San Diego** at **IHRSA 2019**: bit.ly/clubinsider60. And, I invite you to give it a listen. You'll laugh right away and be happy you did. **Note: At the beginning of the tape, and at the end, you'll hear me calling a square-dance, something I've done in my long-ago past. That was purely and simply to make our Halo Talks visit with Pete Moore more FUN!**



■Be sure to make plans to attend **The Club Industry Show, October 9 - 11, 2019 in Chicago!** The keynote speaker will be **SCOTT DIKKERS**, *Co-founder of the satirical site, The Onion*. According to Club Industry, Dikkers overcame a difficult childhood to help co-found The Onion. And, Club Industry believes the lessons learned by Dikkers as he built The Onion's brand with little marketing money can be applied to the health and fitness club industry. Be sure to book your flights and room for the show ASAP. And, be sure to drop by our **Club Insider Advertisers' Exhibits** at the **Trade Show**. Check out www.clubindustryshow.com for more information and to register!

...Denise Johnson

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progressions, equipment and environment.

5. Life is three-dimensional, so train that way. Hit all planes: frontal, sagittal and transverse.

6. Perform exercise in the seated position only when necessary or when it serves a specific purpose. An example of this is training in the standing position versus seated utilizes more muscle groups and is a more complex neuromuscular challenge requiring greater strength, proprioception, center of gravity control and postural stability.

7. Exercise sessions should be ordered from most complicated exercises requiring highest energy level first to less complicated, isolated movements later.

8. Safety should be your highest concern since falls can be a high-risk factor in this population.

■Speaking of booking trips, don't forget that **IHRSA's 39th Annual Convention and Trade Show** will be happening again in **beautiful San Diego** next year, **March 18 - 21, 2020!** **IHRSA 2020** will leverage the successful momentum of previous shows and deliver an unparalleled opportunity and venue where exhibitors can reach the widest range of true decision-makers and product-purchasers from many segments of the health and fitness club industry. **Contact IHRSA's TOM HUNT, IHRSA's Vice President of Exhibitor Sales** at teh@ihrsa.org to book your space for the **always world-class IHRSA Trade Show**.

■**Congratulations to CHRIS CLAWSON** as he's been named the **new Chief Executive Officer (CEO) of Life Fitness**. This is kind of a flashback for Chris, as he served as *President of Life Fitness* from 2010 to 2016, and most recently, he was *Chairman of the Sports and Fitness Industry Association*. Chris has succeeded **JASON WORTHY** as CEO. **JAY BERNSTEIN**, a partner at *KPS Capital Partners ("KPS")*, Life Fitness' majority shareholder, said, "Given his extensive fitness industry and leadership experience, we believe that Chris is uniquely positioned to once again lead Life Fitness and help the company succeed under KPS' ownership. And, we thank Jason for his many contributions during his tenure with Life Fitness, particularly his leadership during a time of change and transition, and we wish him every success in the future." Life Fitness also announced that **STEVE KLYN** has been appointed *Chief Financial Officer for Life Fitness*. Klyn has worked with KPS since 2012 as CFO of one of its portfolio companies, *International Equipment Solutions*, a market-leading manufacturer of engineered equipment.

The take-home message is **Exercise IS Medicine**, and everyone needs a daily dose. And, when training older adults, think about how function can be part of your exercises. Lastly, take a specialty certification so that you are better trained in this much-needed area.

Exercise IS Medicine!

(Denise Johnson, *Claremont Club Wellness Director*, has worked for *The Claremont Club* as the *Wellness Director* since 1998. She holds her *Master's Degree in Exercise Science* and is certified by *ACSM, NSCA, AFAA, TRX, Power Plate and Ropes*, and *Functional Aging Specialist*. She has created, implemented and directs the club's *Living Well After Cancer and Pediatric Cancer Programs, Support Groups and Parkinson's Cycle Program*. These special programs are the core of the club and her biggest accomplishments, assisting those who are disabled to see their true potential and reach goals they never thought possible through programs her team has developed.)

■**Congratulations to AUGIE NIETO**, *Founder of the modern-day Life Fitness Company*, as it was also announced that Augie will be a co-investor in the business and has been appointed to the **Life Fitness Board of Directors**. **Augie served as President of Life Fitness from 1977 to 2000** and helped transform the company from a single-product business to the market leader in the commercial fitness equipment industry. **JAY BERNSTEIN**, a partner at *KPS Capital Partners ("KPS")*, commented about Augie's return to Life Fitness, "We are thrilled to bring Augie back as an investor and a strategic partner. We

are confident that his experience and vision will help Life Fitness build on its leadership position and drive forward its legacy of being a strong, focused and innovative global market leader." **Folks**, let me close this note by saying: **STAY TUNED!**

■**Congratulations to KAY YUSPEH**, **Owner of five Elite Sports Clubs in the Milwaukee, Wisconsin area**, as she's been honored by being named **Entrepreneur of the Year two times**, first by the **Milwaukee BizTimes** and then by **The Milwaukee Business Journal**. Here's what the (See *Norm's Notes* Page 8)

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...Norm's Notes

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Milwaukee BizTimes had to say about Kay: "Kay and Richard Yuspeh purchased their first sports club back in 1986. At the time, **The Highlander**, as it was called, was only a tennis club. Kay Yuspeh had visions of making it much more. That first summer, she broke ground on an outdoor pool. Eventually, she would grow the business to include innovative programs, cutting-edge equipment and a top-notch professional staff. Today, **Elite Sports Clubs** has grown to more than 400 employees, and more than 15,000 members across five locations in Brookfield, Mequon, Glendale and River Glen. Over the years, Yuspeh was instrumental in transforming the clubs into full-spectrum health and fitness facilities. She is responsible for the management and purchase of each club and personally takes responsibility for the design, remodeling, marketing, programming, staff development and member retention efforts. She is hands-on. Early on, Yuspeh maintained focus on the clubs' tennis programs, the backbone of the original Highlander. With the help of **RANDY STOLPE**, Elite Sports created the largest professional tennis program in the state, with more than 40 teaching professionals and a total of 35 indoor and five outdoor courts. In 2017, Yuspeh opened **'The Quad'** at Elite Sports Clubs' River Glen location. The unique, innovative approach to family fitness provides 30,000 square feet of space and opportunity for people of all ages to be active in a healthy, safe and supervised environment. She saw an opportunity in the marketplace to reinvent the space, which previously housed tennis courts, to serve a broader

audience. The Quad is open to all Elite Sports Clubs members and the general public." **Congratulations Kay!**

■ **Congratulations to SHANNON HUDSON, 9 Round Franchising, LCC Founder and CEO, as he was honored and recognized last month as one of Ernst & Young's Entrepreneur of the Year Finalists for the Southeast Region.** Hudson commented: "Words cannot even begin to explain how proud I feel to have been considered a 2019 finalist for one of the most prominent business awards." When my wife, Heather, and I started 9Round in 2008, we were motivated by having no 'Plan B' to fall back on. Because of this, I have stayed focused on cultivating and enhancing the brand, which in return has helped me become a better business leader."

■ *Just in case you've not heard the story about a Starbucks in Tempe, Arizona...* **Six police officers in uniform** were having coffee at a Starbucks, low and behold, a customer decided that the presence of these six police officers made them uncomfortable. So, the customer went to the management of the store, told them the officers made them uncomfortable and asked management to ask the police officers to either leave or get out of their line of sight. **And, THEY DID! WOW!** This note about Starbucks' behavior brings me to something I've been meaning to write about for a long time now. This note and the activities of **PETE MOORE** and his **HALO Talks** program in **New York City**, which supports **New York City Firemen and First Responders**, has provided a great reminder.

Actually, I think I wrote about what

I'm writing about here 15 or 20 years ago. I wrote about something I did many years ago at my 47,000 square-foot **Downtown Athletic Club**, which was located in what's now the CNN Center (formerly known as the Omni) in Atlanta. I produced and hosted **The Atlanta Police Appreciation Ball** honoring over **800 Atlanta Police Officers** and their wives and significant others. **Atlanta Mayor Andrew Young, and his wife, and members of the Atlanta City Council, also attended.** I produced this special event because I've always believed that we're very fortunate to have the brave police officers and firemen and women, but *we never do anything to show our appreciation to those great folks!*

SO... I want to plant an idea in your minds. I want to challenge ALL OF YOU to produce and host a Police Appreciation Ball at your club! Sure, it will cost you a little moola, plus the time it takes to produce it. But, I can assure you that doing something like this will also provide your club with great and positive publicity in your community, while at the same time, it will give those police officers a great feeling of being appreciated as the very important members of their communities that they truly are. When you do this, **BE SURE** to send me all the details, so we can cover it in **Club Insider. God Bless our Police Men and Women AND all of our First Responders!**

■ **Here's a good one for you...** especially if you like **Hot Dogs**. You've probably heard of **Nathan's Hot Dogs**. If not, let me just say that Nathan's is famous but not just for making great hot dogs. They're famous for their **Annual National Hot Dog Eating Contest, held on Coney Island in New York every 4th of July.** The winner again this year was, **JOEY "JAWS" CHESTNUT, winning the Nathan's Hot Dog Eating Contest for his 12 year in a row!** But, sadly, Nathan *slipped up a little bit* this year. Last year, he ate **74 Hot Dogs and Buns!** This year, **"JAWS" still won by eating 71 Hot Dogs, 21 more than this year's 2nd Place finisher.** Folks, this was **71 Nathan's**

Hot Dogs, with buns, consumed in just 10 minutes! Looks like Jaws is gonna have to hustle to his gym, as **he consumed 20,000+ calories in those 10 minutes. Is America a GREAT Country, or what?**

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

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

(Norm Cates, Jr. is a 43-year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of Club Insider, now in its 26th year of publication. Cates was IHRSA's First President, and a Co-Founder with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. In 2017, Cates was honored with Club Industry's Lifetime Achievement Award. Cates can be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)



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...Barry's Bootcamp

continued from page 3

and worked in film and TV. I had a career all throughout high school then went to college to continue to pursue that.

C.I. - That's definitely a different route to eventually end up in the health and fitness club industry. When and how did that occur?
JG - I was at a crossroads in my life. I had stopped pursuing acting and tried a few different career moves. In that phase, I discovered Barry's as a customer and fan of the brand. I was going so often that Barry noticed and asked if I wanted to start teaching. I jumped at the chance and said, 'Yes, of course.' I had no experience in fitness, and I didn't have a certification. So, I did that as soon as possible and started teaching. About 9 - 12 months into the role, the GM position became available. I had caught wind of that, so I ran to Gold's Gym and got a job running sales over there to get as much administrative experience as possible. I then interviewed for the GM position at Barry's and got it.

I ran the L.A. business for a couple of years, and I kept asking the partners if they would let me invest and help scale the business around the country. It took a few years of us working together for them to be comfortable, but finally, they said, 'We would love for you to join the team.' So, I leveraged everything I had and just started investing in all the new studios.

C.I. - Wow, talk about believing in something so strongly! Please tell us about **Barry Jay, Founder of Barry's Bootcamp** (along with **John and Rachel Mumford**). What did you learn from him?

JG - I always call Barry the mad scientist. He created this workout back in the mid- to late-90s. It combined high-intensity interval training (HIIT), cardiovascular essentially, where you are taking your heart rate up and down on treadmills, with circuit strength

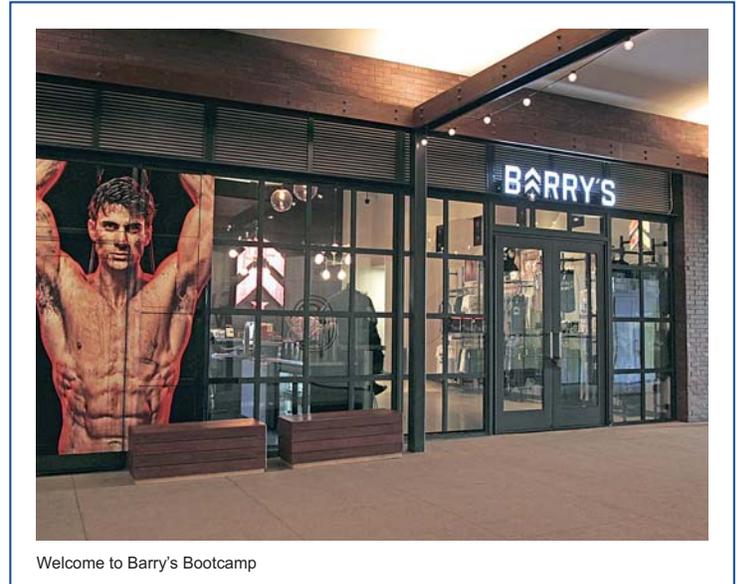
training with weights on the floor. And, this was long before most of these terms even existed, so he was really ahead of the trend and on the frontier. It wasn't just the workout he created but the courage he had to leave the gym he was training at and open a boutique studio, which at the time, didn't exist. There were big box gyms and some Yoga studios, but you really didn't have specialized fitness outside of that. Barry's was really one of the first, so talk about someone willing to take risks. Barry was never afraid to try.

Over the next two decades, science really proved why his method worked so well. People always ask why it has been so successful, and it's definitely because the efficacy of the product is like nothing else. It just works, and it works so quickly. And, there are also a number of other factors, such as the magic behind what we do with the red lighting, the sound system and some of the proprietary equipment we have. Our amenities, our locker rooms and showers, have Oribe hair/body products and Dyson hair dryers. We really love to spoil our customers with a great experience beyond any other fitness company.

Lastly, I'd say our unity is a big differentiator. People who do Barry's just love and feel like they have something in common. The brand is very work-hard, play-hard, so it attracts a Type A personality, someone who isn't afraid to do the work but wants to have fun while doing it.

C.I. - As you mentioned, you were a boutique before boutique was a thing. Now that the boutique market exists and other concepts have caught up, how do you evolve to stay ahead of the market?

JG - We are a values-based organization, and *Innovation* is one of our core values. We take it seriously, so if you take a look at the business 15 years ago, it's very different. Back then, the space was around 1,500 square feet, one bathroom with



Welcome to Barry's Bootcamp

minimal privacy, a very small lobby and no frills (laughing)... The workout was very much the same, but over the years, we've augmented the business and done so many things to improve it and 'premiumize' it. We obviously added locker rooms, showers and other great amenities. We were the first boutique fitness concept to add a fuel bar that has our customizable shakes, which are really there to serve as the nutritional piece of fitness and wellness. That's very important, so we have shakes that are designed for whatever the desired result is: there's Carnitine for fat burning, Creatine for muscle building, Bromine for repair, etc. So, we are able to deliver the nutritional piece and provide a second space outside of the red room where they can hang out and build community.

Another piece of the business is retail. We have a robust retail collection that is co-branded with Nike. We also have our own cut and sew fitness apparel line, which was designed specifically for the Barry's workout. For so many years, customers were complaining that the pants they wore would start to fall down while they were on the treadmill, but on the floor, they worked or vice versa. It's cross training, so it's really hard to find clothes that can react and respond to both types of training. So, with our *Barry's Fit* brand of clothing, every 6 - 8 weeks, we release a new capsule of our own workout clothing.

Outside of the standard Barry's, we have five studios in North America that contain a second studio space called *Flex*. *Flex* has two different class curriculums that we have experimented with. One is called *Release*, which is a myofascial stretch

class for active recovery. The other is called *Lift*, and it's a 45-minute weight-lifting class. We are always trying to think outside our own 'Red Box' and come up with additional ways for our customer to work out. A lot of this comes from actually serving them and then asking them, 'What is it that you are not getting from us that we can deliver on.'

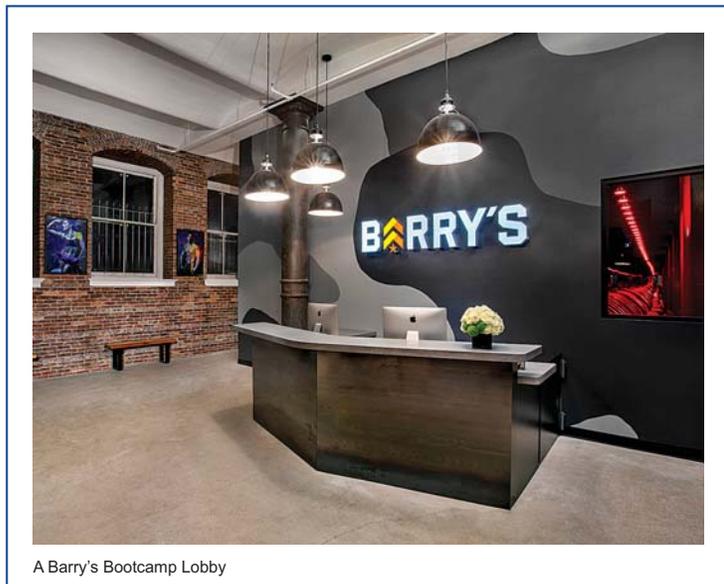
So, those are just a few ways that we continue to innovate.

C.I. - Everything you have mentioned are very specific, detail-oriented ways you are giving back to and better serving your customers. They provide feedback, and you provide more to them. It seems to be a great loop, so that's great to see. Please describe a typical Barry's facility today. What makes for an ideal location?

JG - Most of our locations are between 4,500 and 6,000 square feet. I would say that, for us, location is really important. We don't necessarily have to be on Main Street, but we love to just be somewhere really accessible. Our customers prioritize convenience over being next to a premium retailer, so we love to have ample parking and making sure getting in and out is easy. And, it's always helpful to have visibility so people know who you are.

C.I. - What are your customer demographics? How do you go about attracting them?

JG - For the most part, our members are 25 - 35 years old, but really, they go up to 50 and sometimes older. In terms of how we attract them, until recently, our marketing was 100% through our customer's word of mouth. Even the client acquisition (See *Barry's Bootcamp Page 12*)



A Barry's Bootcamp Lobby

BARRY'S



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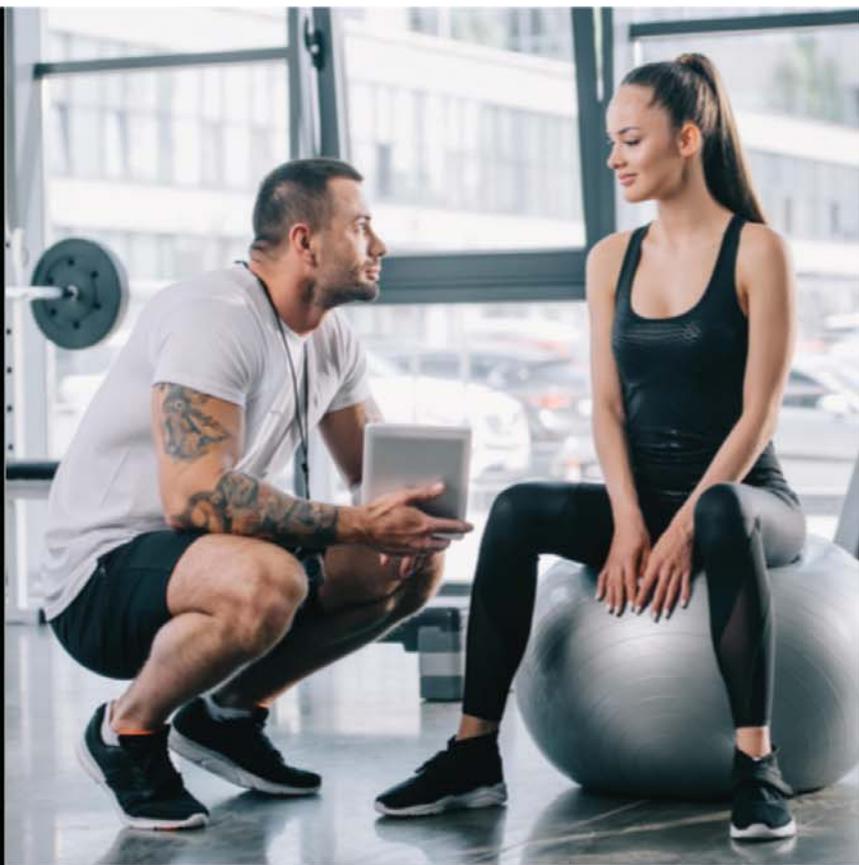
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...Barry's Bootcamp

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campaigns we would run would actually invite our customers to bring in a friend who had never done Barry's before. It was something called *Friends With Benefits*, where if you come to Barry's and you bring a friend who had never done Barry's, you both get a class on us. It was our way to say, 'Thank you for referring them.'

What I didn't love about working at a Big Box gym was the 'turn 'em and burn 'em approach.' They always wanted us to sell memberships then hope people didn't come. Places like Barry's really rely on people's frequency to succeed, and you want to see people succeed. As you know, the best way to do that is to make sure your friends and important people in your life are holding you accountable, so we love to have people invite their own circle to Barry's because it becomes more fun and keeps them more engaged.

C.I. - That ties right back into unity, which you have already mentioned. What are your initiation fees and dues rates?

JG - We don't have any initiation fees. It's \$0 to join, and then, it's a class-by-class option. If you just want to come to one class, there's a headline price that anyone, anywhere is welcome to come to; we are very inclusive at Barry's. You can also buy packages. The more you buy, the less you will be paying per class. Alternatively, we do offer memberships, but they are sort of wired the same way and reward frequency. We recognize it per week, so it's a monthly membership that may give you three classes a week, four classes a week or a class every day. Those are priced similarly so that you pay less per class during that 30-day period. The pricing does differ from market to market, so it is hard to give exact numbers.

C.I. - Given your product structure, I'm

going to use the word 'users' instead of 'members.' If you can share, how many users do you have system-wide?

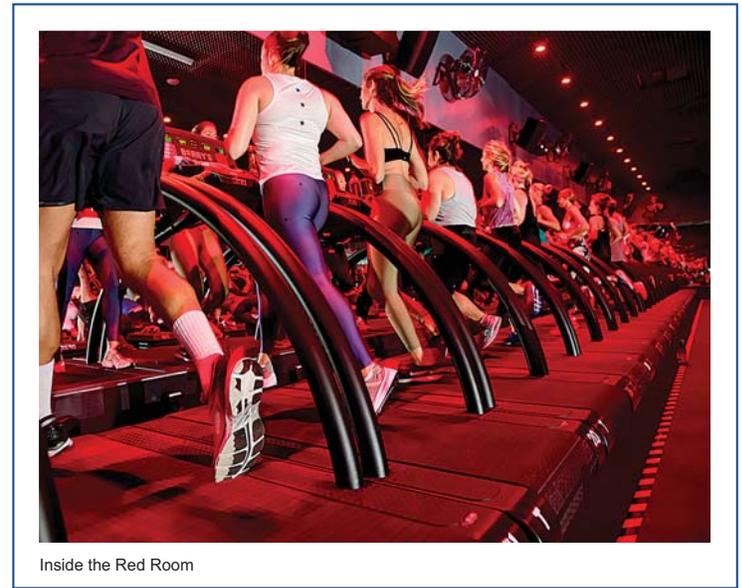
JG - This past week, we saw just over 110,000.

C.I. - The Barry's concept is high energy, but it's the instructors who bring it home. Please tell us about the instructors Barry's hires. How do you find them? How do you onboard them to the concept? Is it hard to keep them if they develop a user following?

JG - One of the legs up that Barry's has is that it was instructor-founded and continues to be instructor-run today. Obviously, Barry came from that background, and I have that background. Our 'Talent,' as we call them, is always top-of-mind for us as we grow. We have really talented recruiters on our curriculum team who travel to new markets looking at potential new hires. And, I actually fly to every single new market and meet each person during an interview before they are hired. So, we really take the instructor piece seriously.

For onboarding, in new markets, we have something very special called the *Instructing Founding Program* where they actually live in New York for a week, they live in Los Angeles for a week, and we fully immerse them into the culture while they receive all of their academic training, so to speak. They just have the time of their lives, and it's a bonding experience. In terms of in-fill, most don't do the living in New York and Los Angeles, but they have the same text manual and academic approach as to how to teach a Barry's class.

Related to retaining talent, in the past, it has been. One of the changes we have made in the past two years is that we have become very values-driven, so it's much easier now. With potential trainers, we start by laying out the expectations of how we need them to behave and how they can expect us to behave. That plays into all of the day-to-day decision making as well as the hiring. So, now, if we sit down



Inside the Red Room

with an instructor who could be the most successful fitness trainer in the city, if we feel they are out of line with our values, they won't even get a second interview because we put that above all else.

C.I. - How does Barry's go about creating 'community' among members within a market? Along the same lines, how does Barry's go about giving back to the communities in which they operate?

JG - We actually have a facet of the marketing team that are called *Community Marketing Managers*. They are tasked with that exact thing: building and maintaining community in their respective territories. That includes finding different corporates to bring in; hosting charity classes; going out to different school districts; donating to auctions; as well as making sure, internally, we are hosting events and having employee bonding moments. So, we have a whole department that is actually dedicated to that. If you work at Barry's, you know that the most important thing is people, so making sure that we have hired great people and making sure that those people feel connected to something is always priority.

C.I. - In 2015, North Castle Partners strategically invested in Barry's Bootcamp. As best you can, please tell us about that deal: How did it come about? What was the amount invested? Is there a set timeframe? What do they bring to the table?

JG - Since we are private, we can't disclose numbers in terms of the investment. But, I can tell you that, prior to North Castle's investment, Barry, John and I were the

exclusive owners, so we brought them in as majority partners. They brought in a skillset that we didn't have... scaling a business as well as building an infrastructure. Prior to 2015, it was basically I and a few other employees in the basement of our Barry's Chelsea, N.Y location making some pretty massive business decisions. So, they helped me build a pretty robust Executive Team of about 50 really talented people that we have headquartered in Los Angeles. They've also helped us navigate some of decision making about where to go, when and how, as well as build a strategy for international expansion.

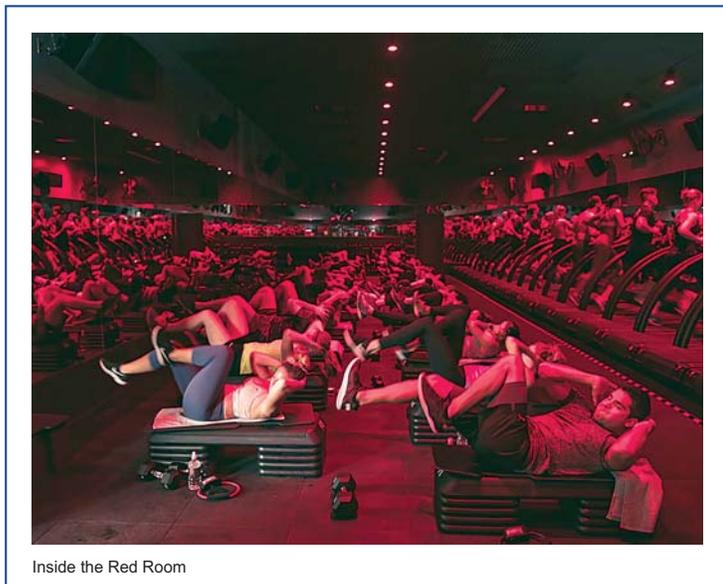
Something I hear that is unique to North Castle is that they also happen to be really great guys. We have an amazing relationship with them. We've gotten to know who our partners are, and they have been very trusting and supportive. It has been a really incredible relationship.

C.I. - I'm glad to hear it, and that sure sounds like North Castle. We have done several cover stories on companies who have had been involved with them, and the comments about them have always been positive. It's great to hear that reputation continuing as they continue making big moves in this industry.

JG - Yea, they're great!

C.I. - The investment is now fueling the growth and expansion of the Barry's brand worldwide. Please tell us about that strategy.

JG - We are at 59 globally. This year, we have 30 studios slated to open. So, we will
(See *Barry's Bootcamp* Page 16)



Inside the Red Room

BARRY'S

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We'd built our boot camp to over 400 people, and then the oil field crisis happened. It just crashed, plummeted, and fitness was not something that people were willing to pay for.

Plus, we knew we weren't reaching all the people we wanted to reach. We were only reaching just a sliver of the people, and so we were looking for more ways to help more people in East Texas as far as weight loss, fitness and health overall.

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

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

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

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



Jennifer Stafford - 20/30 Fast Track Licensee

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

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

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

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

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

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

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

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

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...Barry's Bootcamp

continued from page 14

go from about 50 to 80 studios. We had been more on the domestic side, but none of us anticipated the interest we have seen internationally. The strategy there has been a combination of joint venture and franchising. It just serves us well to have local boots on the ground, based on what I already described about how important community is for us and how key local nuance is to our success. It really serves us and this type of business to align with partners who are *there*. So, that has been really incredible. And, selecting those partners is arguably the most important thing we can do. North Castle has been by our side, and we've built the strategy of where we go, when and why, and how that has to do with partnership opportunities.

In terms of domestic, we have a Development Department and a really amazing team of analysts who pull data

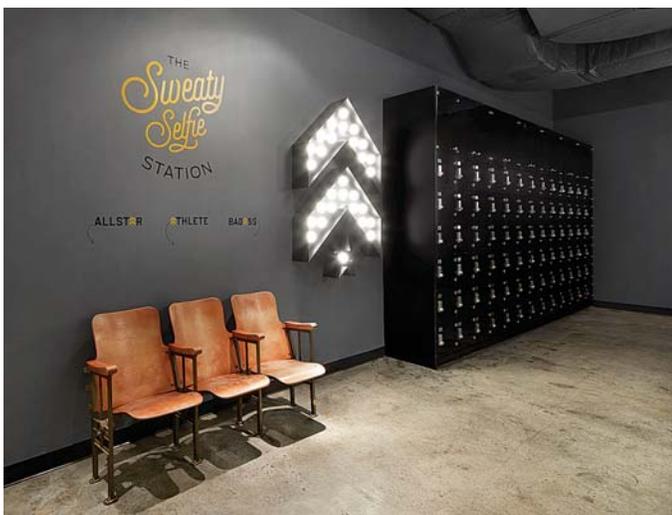
on who the Barry's customer is, and we run reports every time we are considering a new market or expanding in an existing city. Then, we make a decision about whether or not it's worth investing. We base everything on an underwriting model, so we lock in cost and revenue projections, press Enter and see if it works. If it doesn't, then we don't do it. It's a fairly conservative approach to growth, but what I am interested in is building a company that has longevity and being around for a lot longer than we already have been. Barry's is the original, and I really don't want to mess that up (laughing).

C.I. - As an admitted numbers guy, I'm glad to see such a methodical approach being used. There are some out there who shoot first and ask questions later, and it does not always work out well.

JG - Exactly. It's scary to see. There are companies out there that have only
(See *Barry's Bootcamp* Page 17)



Fuel Bar and Retail Store at Barry's Bootcamp



"The Sweaty Selfie Station" at Barry's Bootcamp

An Interview With Jon Canarick

An Interview With Jon Canarick, Managing Director of North Castle Partners



Club Insider (C.I.) - What does North Castle look for in a potential business to invest in/partner with?

Jon Canarick (JC) - We look for many things when considering a business for investment. First, we're looking for a strong entrepreneur who is running the business. Second, we're looking for meaningful proof of concept. In the case of a retail concept like Barry's, we're looking to see that the business works in multiple locations and multiple geographies. For example, we get calls regularly on businesses succeeding in New York City, but that does not mean it will succeed outside the city. Third, we're evaluating the brand. We're looking for an authentic brand that really resonates with consumers. Fourth, we're trying to get a sense for the company's culture and how employees feel about the business.

C.I. - How did Barry's Bootcamp get on North Castle's radar? What were some things you saw in them *before* doing your due diligence? What were some other things you saw in them while doing your due diligence?

JC - Barry's first got on our radar when I was having breakfast with a friend, **Jay Galluzzo**, Founder and at the time CEO of *Flywheel Sports*, a spin-studio business based in NYC. We were talking about Flywheel and the fitness industry in general, and Jay told me I had to check out Barry's, which had one NYC store in Chelsea. As a side note, Jay then joined the Barry's Board and signed on as an advisor to NCP. Two years later, he joined full time as one of our partners!

Before doing diligence, we were impressed by the brand and what people were saying about the workout. Some of the PR the company got was very impressive. We had the opportunity to meet Joey and his husband John, and we were very impressed by each of them and the way they talked about their respective businesses.

While doing diligence, we were very impressed by the results of each store. Barry's was consistently achieving a very strong return on capital. At the time, many stores were franchises, but we were able to approximate the income statements of the franchisees and the capital invested in each of the stores. Many people thought Barry's could only work on a small scale in NYC and LA, but we saw it was working in San Francisco, Boston, San Diego, Miami, London and Bergen, Norway! And, just as importantly, we were very impressed by Joey, who at the time, was the COO but really the Founder of Barry's NYC and the Barry's 2.0 concept with Fuel Bar and full locker rooms with showers. We were excited to partner with Joey and the Founders to build on what they started.

C.I. - I'm sure it's different with every deal, depending on the needs of the company, but what does North Castle strive to bring to the table for the companies it invests in/partners with?

JC - Yes, it is different for each investment, but there are certainly repetitive themes. We work closely with the CEO and team upfront to establish an 'Operating Blueprint,' which defines our goals and where we are collectively planning to take the business. Those goals have strategies, and those strategies have tactics. From that, we determine, in partnership with management, what the primary needs of the business are.

Very often, there are additional team members needed, and we work with the CEO to help identify key hires. At Barry's, for example, we had an aggressive growth plan which could not be achieved without a head of real estate. We hired this position immediately. We also added talent in finance, marketing and other areas over time.

We often focus on brand, really understanding the brand and consumer perception. We often do consumer research to aid in this process. At Barry's, this was an area that did not require tremendous focus from North Castle as the brand was already so strong, and Joey and team have done such an incredible job building the brand over the years. We put in place new reporting packages and identify KPIs. We also try to improve the supply chain where relevant as well.

C.I. - Over the years, we've done several stories on companies that have been involved with North Castle. The feedback about North Castle as a partner is always immensely
(See *An Interview With Jon Canarick* Page 17)

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An Interview With Jon Canarick (continued)

continued from page 16

positive. Please tell us why that is. Is striving for that positivity part of your company's culture when approaching a deal/partnership? How does North Castle go about manifesting this?
JC - Wow, first let me say thank you for the kind words and for the question! Yes, striving for this outcome is a core part of our culture and approach to business. We have a phrase we use internally that really defines what we are all about, 'value and values.' The idea is a simple one. We have investors and have been in business for over 20 years because we create value for our investors, our management teams and ourselves. But, we were founded on the idea that you can create value while living and acting in accordance with a set of values. They are not just words on a website or coffee table, but ensuring our values guide everything we do. **Integrity, Development, Respect, Balance, Excellence and Partnership.** We believe CEOs and management teams are our partners, not our employees. We work together to solve problems, discuss the undiscussable, hear each other's perspectives, and hopefully, together, make the best decisions we can make. So, it's manifested in everything we do, internally and externally.

C.I. - For those smaller, regional brands that are making strides to go national, what advice can you give them to get noticed by a firm such as North Castle?

JC - In the category of fitness, we tend to discover brands via either social media or our network. I often get an email or a call that there is a brand I need to check out. PR really matters; that helps investors discover and learn. So, if the goal is to get noticed, provide a great experience and people talk about it. Focus on your social media presence and PR.



...Barry's Bootcamp

continued from page 16

been around a few years and have hundreds of units already. I get that there are different strokes for different folks, but continuing to build this thing that is, I think, really organic and amazing, is a legacy that I take seriously.

C.I. - Speaking of that, you have a legacy already. From customer to CEO, I think it's a fascinating story. Along the way, can you share a few key lessons you have learned over the years?

JG - For me, I think the biggest lesson has been related to fear. The reason why I have been able to have success in this world is because I haven't let fear stand in my way. Conversely, the moments in my life that have been hardest and most challenging were because I let fear get in the way. It's easier said than done, but if you replace fear with focus, you can accomplish anything.

C.I. - I love it! That's a quote. To close this interview, I was going to ask: what can the industry expect to see from Barry's over the next 3 - 5 years? You've already answered that. But, how about you personally, Joey?

JG - I guess more and more with Barry's. This company isn't going anywhere, and this company is my family. We wear it on our T-Shirts, and we really think of each other as family. I'm just really excited to be

along for the ride.

C.I. - Well, we look forward to seeing where that ride goes. **Club Insider** will be there to cover it in the future.

JG - Thank you so much.



Thank you to **Joey Gonzalez** and **Jon Canarick** for their time interviewing for this exciting cover story. Thank you also to **Lindsey Cohen** and **Mariel Householder** of **hunt&gather** for their assistance throughout the process. And, thank you all for reading!

(Justin Cates is a Partner and the Assistant Publisher of Club Insider and grew up in the health and fitness club industry. Justin was born into a club business family in 1985, and from the age of eight, he spent his non-school and sports hours in a home that doubled as Club Insider Headquarters. He has lived and breathed this industry for 34 years, since his own day one. Cates graduated from the Terry College of Business at The University of Georgia in 2007 and then went on to two years at The Art Institute of Atlanta, where he studied Interactive Media Design. Now, he is an integral part of the "Story" of Norm Cates and Club Insider. Justin can be reached by phone at 423-314-4310 or email at Justin@clubinsideronline.com)

FitLife Celebrates 40 Years!

Part II

By: Norm Cates

Last month, our **Cover Story**, *FitLife Celebrates 40 Years!*, featured in-depth interviews with *FitLife Executive Director, Neal Simpson*, as well as **Chuck Richards** and **Mark Eisenzimmer**, club owners and present and past NACA/FitLife board members. This **Part II** article features an interview with **Jennifer Harding**, *NACA/FitLife Co-founder and former Board Member*, as well as veteran club owner. She also previously served on *IHRSA's Board of Directors*. Jennifer's input was delayed because she was in Spain at the time of our Part I article, so I want to extend our most sincere Thanks and Appreciation to former racquetball professional and long-time club business veteran owner of *The East Side/West Side Clubs*, Milwaukie, Oregon Jennifer Harding, for her time doing her interview after she returned from Spain.

An Interview With Jennifer Harding

Club Insider (C.I.) - Why was NACA, the Northwest Athletic Club Association, now known as FitLife, founded?

Jennifer Harding (JH) - NACA was formed in an effort to organize the independent clubs so that we could stand together in a formidable fashion and be ready for large club chain introductions into our formerly tight marketplaces. Reciprocity, sharing of best practices, regional education events, staff exchanges, etc. were all outcomes of the formation of NACA. The Summer Conference was, and still is, an annual highlight.

C.I. - What were some of the early successes of NACA/FitLife over the years?

JH - One of the greatest and earliest NACA successes was our battle with the YMCA's. Actually, **Frank Eisenzimmer** and **Don McIntyre** were the brains behind the YMCA battle. We all supported their efforts and lined up to help fight the unfairness on a number of fronts including picketing, dollars and testifying at the State level.

At its peak, winning the battle with the YMCA (ie. Property taxes); there was also the formation of Oregon and Washington Racquetball Associations; the creation and implementation of the Fit-To-Go reciprocity program; the development of high school racquetball league programming, producing numerous national champions, including my nephew **Taylor Knoth**; establishing educational opportunities quarterly and annually; the establishment of the Legislative Fund to which all clubs contributed for current and future battles (i.e. sales tax initiatives, membership agreement regulations, etc) were successes we all celebrated. Additionally, the Group Purchasing

programs have been quite successful over the years. Discounts available to the club benefit the bottom line while FitLife kickbacks are positive for the organization in general. The Group Purchasing Program, particularly with Office Depot, was and is an outstanding NACA/FitLife Association benefit.

C.I. - In the early days, what did NACA/FitLife offer its member clubs?

JH - Simply put, being a member insured 'a seat at the table.' By this, I mean you became part of a team (of owners) that was willing to share in both the challenges of the industry at the time, as well as best solutions which would differentiate member clubs from the growing competitive field. Again, reciprocity, education, best practices, legislative needs all brought the group to the table.

C.I. - What was the definition of clubs eligible to join?

JH - Member clubs could not/cannot be from national chains, nor non-profits (such as YMCAs and JCCs) and no franchised clubs were/are admitted.

C.I. - How many clubs did NACA/FitLife have at its peak?

JH - 100+

C.I. - What were/are NACA/FitLife standards like?

JH - Per ByLaws, to be eligible for membership, a club had/has to be independently-owned, compliant with physical plant cleanliness standards, must adhere to membership policies and must be approved by the NACA/FitLife Board. Prospective member clubs could not be chains, franchises or non-profits. NACA has forced one club company (Hart's) in the State of Washington to resign from the Association. NACA also requested that IHRSA put that club company 'On Probation' and lose its standing because of its difficulties with the State of Washington.

C.I. - Please tell us about the FitLife Summer Conference, which I believe was July 14 - 16.

JH - The Mission of the FitLife Summer Conference is to create meaningful networking and educational opportunities for the owners, managers and staff of FitLife Member Clubs and the suppliers who support them. The Summer Conference has been around for decades and is a tremendous educational benefit to the member clubs. The speakers are phenomenal and represent some of the brightest and most innovative leaders in the industry worldwide. Speakers share their expertise via keynote speeches, panels and breakouts. The agenda allows

for not only 'sit and learn' opportunities, but networking windows are specifically built into each day.

The Trade Show hosts our FitLife Associate Members who are truly top of class in each of their niches (equipment, technology, supplies, etc.). The financial support of our loyal Associates makes the Conference possible. With their financial support, clubs are able to bring larger numbers of team members to the FitLife Conference. The fun factor is loved by all and varies from year to year. In the past, we've enjoyed mini-Olympics, river rafting, golf events and parties of every type and in every sort of costume! In highlighting one of my most memorable experiences at the conference, I recall a skit we put on which was both educational and hysterically funny. In an effort to emphasize the upcoming threat of the Parks & Recreation expansions, we wrote a skit based on my club's experience in fighting the local Parks Department's desires and efforts to build a \$7.4 million-dollar aquatic facility right in my club's backyard! Several club owners dressed in costumes and played various roles including that of club desk staff, club owner, average swimmer, Parks Board Member and more. Funny for sure, and just the memory brings tears to my eyes!

C.I. - Jennifer, as one of the NACA/FitLife Founders and Board Members, what are you most proud of?

JH - The 40-year longevity of our regional association, and the relationships built forty years ago that are still in existence today. Some of us (owners) participate in sub-set groups meaning 3 - 5 of us meet (in person or through technology) to share pressing issues, asking for input or even to brag about successes. The dialogue and trust



Jennifer Harding

shared in these small group gatherings is something that's valuable beyond measure!

■ ■ ■

Again, I would like to express our sincere Thanks and Appreciation to Jennifer Harding for taking the time to fit this interview into her busy schedule. Thank you, Jennifer!

(Norm Cates, Jr. is a 43-year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of **Club Insider**, now in its 26th year of publication. Cates was IHRSA's First President, and a Co-Founder with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. In 2017, Cates was honored with Club Industry's Lifetime Achievement Award. Cates can be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)



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IDEA Health & Fitness Association Honors Industry Leaders at the 2019 IDEA World Convention

ANAHEIM, CA - IDEA Health & Fitness Association, a leading organization of fitness and wellness professionals, announced the recipients of its annual IDEA World Fitness Awards, recognizing individuals who strive for excellence, show an outstanding commitment to their clients and communities and spread their passion for fitness across the globe.

The awards for *Personal Trainer*, *Fitness Instructor* and *Program Director of the Year*, as well as the *IDEA Fitness Inspiration Award* and prestigious *IDEA Jack LaLanne Award*, presented to someone who made a significant and lasting contribution to the world of fitness, were presented at the Opening Ceremonies of the **2019 IDEA World Convention** at the *Anaheim Convention Center, Thursday, June 27, 2019, in Anaheim, California.*

The 2019 Award Recipients Are:

2019 IDEA Jack LaLanne Award, Jay Blahnik: Blahnik has been at the forefront

of the fitness industry for decades as a sought-after instructor, trainer, writer, program creator and product developer, sharing his passion and influencing millions of people worldwide. He has worked closely with many of the top fitness brands in the world, creating some of the most successful products and programs of all time, and he was instrumental in the development of the original, groundbreaking Nike+ Run Club and Nike+ Training Club apps. Jay continues to inspire the world to fitness through technology in his role as the *Senior Director of Fitness for Health Technologies at Apple.*

2019 IDEA Inspiration Award, Victoria Arlen: In 2006, Victoria developed two rare conditions that robbed her of her ability to move, speak or eat on her own. After four years in a vegetative state, she began to fight for independence through hard work and training, eventually transforming into a record-breaking, Paralympic gold-medal swimmer. Most recently, she was a semi-finalist on *Dancing With the Stars* and is

currently an on-air host for ESPN.

2019 IDEA Personal Trainer of the Year, Brian Nunez: Nunez is the *Founder and Owner of FNS (Fitness Never Sleeps) Training Center*, an award-winning performance training facility. His business provides a "team training" experience along with personal training, nutrition coaching and mental conditioning. As a Nike master trainer, Nunez coaches elite athletes and creates fitness content for the Nike training department. Each month, he offers free coaching calls to fitness professionals, helping them break through an area they are struggling with in their personal or professional life.

2019 IDEA Program Director of the Year, Amy Boone Thompson: As the *National Customer Experience Manager for Les Mills U.S.*, Thompson played a key role in championing its group fitness management (GFM) education course. She has more than 23 years of experience

in fitness, programming, personal training and health club management. Prior to Les Mills, Thompson was the *National Director of Personal Training for Wellbridge* where she created *WellStart*, a physician-referred exercise program to encourage individuals to become more active.

2019 IDEA Fitness Instructor of the Year, Doris Thews: As *Senior Vice President of Fitness and Innovation for VASA Fitness*, Doris creates VASA-branded studio programming, trains instructors and teaches indoor cycling, BOSU, yoga, Pilates and HIIT company-wide. In addition, she also identifies technology and fitness trends that support company innovation. As owner of Team Thews Fitness, Thews is a consultant and spokesperson for major fitness brands, including BOSU, Schwinn and Ryka. She's a group fitness instructor, personal trainer and run coach. Additionally, Thews believes in community service and travels nationally and globally to lead weekend trainings and workshops.

Are You An Asset or a Liability in Your Workplace?

By: **Karen Woodard-Chavez**

Disclaimer: This article is not a financial article, but instead, an article about the worth you bring to your workplace. It is referenced with a few basic accounting terms to make a clear point.

A fundamental balance sheet accounting concept is that of *Assets and Liabilities*. To create a foundation for the title question of this article, for just a moment, let's review:

Assets are a resource with economic value that an individual, corporation or country owns or controls with the expectation that it will provide a future benefit. Assets are recorded on the left side of a Balance Sheet and can include cash, accounts, equipment, property or land.

Liabilities are defined as a company's legal financial debts or obligations that arise during the course of business operations. Recorded on the right side of the Balance Sheet, liabilities include loans, accounts payable, mortgages, deferred revenues and accrued expenses.

In short, **assets** put money in your pocket, and **liabilities** take money out!

So, let's ask the question... **are you an asset or a liability in your workplace?** Does that sound harsh? Perhaps, it does, but it is also a necessary question for *you* to ask and answer if you want to ensure you always have employment. Organizations all over the world are determining whether their work forces are *assets* or *liabilities*, and guess what they are doing? They are replacing their staff with automation because organizations perceive automation (equipment) to be an asset vs. humans doing the same job as a liability.

Think for a moment about how many places you have been to recently that previously have had humans performing jobs, but they now have machines or websites doing the jobs humans once did. What businesses come to mind for you? Let me cite a few examples:

Kroger, a grocery store chain, in one of their recently remodeled stores, they previously had 11 checkout lanes with human checkers. After the remodel, they have six checkout lanes with human checkers and 12 self-checkout lanes with no human staff.

Home Depot - The garden centers in Home Depot stores previously had 3 - 4 human-operated checkout lanes. They have now installed three self-checkout lanes and only have one human-operated checkout lane.

There is a golf course that I do

some service and sales skills training with. Prior to doing some onsite service training with them, I did some secret shopping with them. When I called the pro shop to inquire, "as a person who has never golfed before and had a lot of questions about the game," the Pro who answered the phone directed me to the website rather than taking the time to welcome and interact with me human-to-human. Hmmmm, you can see why they need some training. At this point, and if this is similar to how you operate, you had better hope and pray that your website developer is your BEST employee, right?

The last example I will share with you relates to the aging health care market. Japanese AI researchers are experimenting with robots to interact with Alzheimer's patients and dispense medication. These robots can offer over 400 expressions/emotions/phrases and are designed to replace human caregivers. Would you like your Mom or Dad cared for in that way?

Please do not misinterpret this article as a rant against progression or a doomsday calling out of what is to come. Instead, see it as an opportunity to create a value statement for yourself so that you become an asset rather than a liability.

Let's go back to the concept of assets vs. liabilities purely from a financial perspective... how do your assets make you feel? How do your liabilities make you feel? When you have more assets than liabilities, you feel good. You feel positive. You feel strong. When you have more liabilities than assets, you feel unsure about your ability to continue, vulnerable and perhaps a sense of threat.

Let's now go back to your workplace and extrapolate the concept of humans being assets or liabilities. We are going to define an asset as someone who is engaged, interested and informed in prickly situations as well as perfect situations. We will define a liability as someone who is unengaged, uninterested in others and uninformed.

With that definition in use, how does that make the member/guest/resident/customer or colleagues feel about you as an asset? About you as a liability? When you are an asset, all parties feel confident about you, they enjoy being with you, they trust you and they will support your continued success. When you are a liability, they avoid you and will try to have you removed, or they will leave in frustration and go elsewhere to a business that has staff who are engaged, interested and informed assets.

Let's define the elements of what you are when you are an asset:

Engaged: to actively give your full attention.

Interested: giving your attention and wanting to discover more.

Informed: having/showing knowledge/ understanding of the *facts* of a situation.

Let's now address tools to help you enhance each of these elements in your asset development.

Engaged

Tool #1: Your Individual Purpose and Contribution Statement

Answer these key questions:

■ What is the driving reason(s) for each of you to be in this organization? How will you achieve this purpose?

■ What do you want to achieve or attain by being in this organization?

■ How will you achieve or attain what you have stated?

■ How can we help you achieve or attain those goals?

The purpose of this is for you to articulate why you are working, what you wish to derive from your work, how you plan to do so and what help you might need. This should be given to every staff person in your organization, and their managers need to have a copy so that the manager can manage from the point of view that is relevant to both the business and the staff person.

Tool #2: Understanding the Difference Between the Primary Purpose and the Secondary Purpose.

The *Primary Purpose* is the part of our work that relates to the delivery of the organization's core values, mission and promise. It is absolutely the same for every staff person regardless of position, and we are all responsible for delivering it.

The *Secondary Purpose* is the specific task or job description of your department. The two are very different. It is absolutely imperative that every staff person in your organization believes, buys into and behaves according to the Primary Purpose at all times and in how they deliver their Secondary Purpose. If you are the staff person who is only focused on the Secondary Purpose, you are likely to become a liability.

Tool #3: Defining Your Service Superpower

Your *Service Superpower* is what makes you unique in delivering your Primary Purpose and Secondary Purpose. It relates to how you interact with others consistently. A way to do this is an exercise I call **Make It Personal (MIP)**. MIP utilizes



Karen Woodard-Chavez

your name as an acronym to define how you will engage. The example for my name is the following:

For the name of **KAREN**:

Know the guests' names and *use* them. Acknowledge guests and staff *before* they acknowledge me.

Reverence for guests.

Endear guests and staff to the organization.

No one is invisible.

Once this has been completed, the staff person and the manager should receive a copy so the manager can support the staff person in engaging in the manner that is unique to the staff person.

Interested

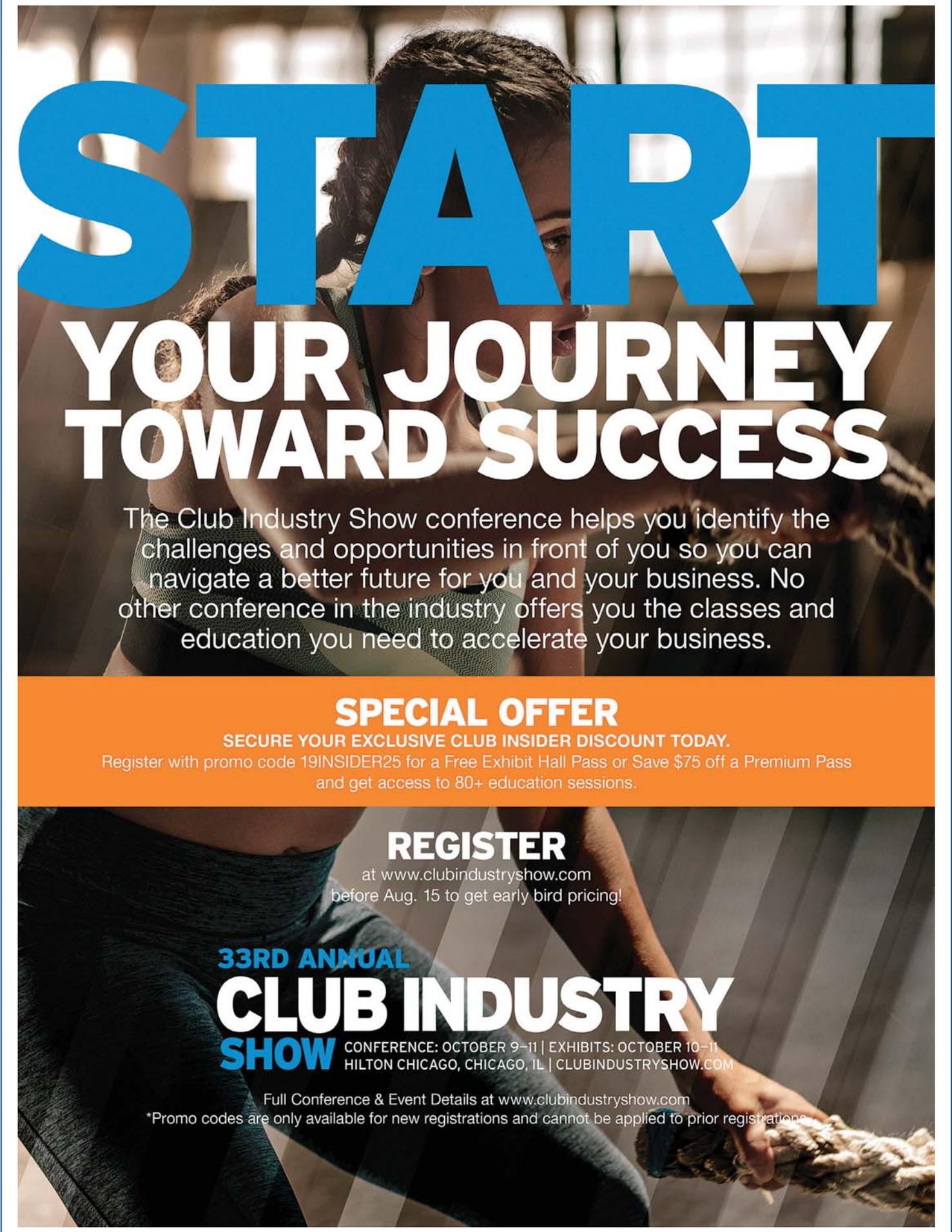
Tool #1: Listen

When you are engaging with someone, refrain from doing all the talking. Listen more to what is being said. Refrain from the temptation to simply be silent so that you can say something. Really listen with your ears, your eyes, your heart and your intellect so that you can hear what is said, see what is being expressed, understand where they are coming from and feel what they are sharing. Only when you do this can you respond appropriately.

Tool #2: Be Curious

Being curious means you are comfortable asking questions. You can only appropriately do this if you are using Tool #1, which is Listening. Just by nature of asking questions means you are engaging and showing you are interested. Your questions can be conversation starters, such as "What activities will you be doing today?" Or, they can be clarifiers, such as "That is interesting, tell me more" or "To clarify, you want to see _____?"

(See **Karen Woodard-Chavez** Page 22)



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Jackpot: What Can Slot Machines Teach Us About Driving Higher Paid Group Training Margins?

By: **Ron Alterio**

Okay, let's be honest. Most, if not all, can relate to walking by those darn slot machines in the casinos while trying to fight the urge to drop in a coin and pull on that lever. Ironically, anyone who has spent more than a minute inside the four walls of a casino knows that the odds of winning are stacked highly in favor of the house. Yet, despite those dismal odds, there is something irresistible about the notion of one coin, one pull and one jackpot.

When it comes to *paid group training*, it's not that much different. For many operators, driving a higher return per member while servicing a larger percentage of the member base for a substantially lower cost is just too great of a jackpot to resist. And, not unlike slot machines, you'll need to pull the right lever(s), both operationally and financially, and at the right time, to have everything lined up and make a profit. Pull the wrong levers, and at the wrong time, it could very easily lead to a ton of wasted time, energy and money.

Fortunately, making a profit with paid group training is a lot more predictable than just pulling on the lever of a slot machine and hoping for the best. In fact, all you really need to do is get these four paid group training levers right from the onset, and your chances of making significant gains improves exponentially.

Available Square Footage - This first lever is by far the most important to get right if you want to realize the revenue and margins that paid group training can deliver. The available square footage drives how much tension you'll need to put on the other levers. The amount of square footage you allocate to paid group training will also determine the type of product you can offer and how many customers you can service in a given workout. A good rule of thumb is to

set aside approximately 100 square feet of space for each participant. For example, if you are looking to offer small group training, generally viewed as 2 - 4 participants on the low end and 6 - 8 participants on the high end, then you will need approximately 200 - 800 square feet of dedicated space. If you are looking to drive more of a larger group training product, generally viewed as 10 - 12 participants on the low end and 18 - 25 participants on the high end, then you will need to allocate a minimum of 1,000 - 2,500 square feet of space. *Bottom line, first decide what product you want to offer and then dedicate the proper amount of space needed to support it.*

Number of Attendees or Participants per Workout or Session - There isn't a faster way to kill your paid group training margins than not knowing what your average number of attendees per session should be. The number of attendees per workout or session can dramatically impact what's known as your **Cost to Service Ratio (CTSR)**, or in other words, the number of attendees in a given session divided by the hourly rate paid to the prospective coach. In general, *the more attendees per session you have, the lower the CTSR*. Conversely, *the lower the number of attendees, the higher the CTSR*. For example, let's say you pay your trainers \$25 per hour to coach a small group training session in a space that should normally service an average of six participants per session. Your cost to service ratio formula would be \$25/6, and your ratio is \$4.16 to one, meaning the business paid \$4.16 to service each member during said workout. Now, let's say that same scheduled workout only yielded three attendees. Your CTSR formula is now (\$25/3), and your ratio is \$8.33 to one. *Bottom line, the average number of attendees needed per workout or session is a critical KPI when it comes to*

protecting your paid group training margins. Determine this minimum and then drive it.

Pay Structure for Coaches - In a perfect world, every owner would want to pay their coaches as high as possible in order to attract and retain the best talent for their paid group training programs. However, one of the biggest mistakes you can make is to establish an hourly rate and then not factor in or adjust the other levers. Remember, the pay structure for your coaches has a significant impact on the CTSR. The more you pay your coaches per hour (or pull the hourly rate lever), the higher the cost to service. If your culture or compensation philosophy bends toward the more aggressive side of the pay spectrum, then in order to protect your paid group training margins, you will also need to be strict with tracking and achieving the minimum number of attendees per session. And, you may need to increase the monthly cost to the member and/or increase the amount of allocated space. *Bottom line, to keep your paid group training margins as high as possible, the pay structure you ultimately land on must take into consideration how it impacts your Cost To Service Ratio.*

Monthly Fee - The amount of tension you put on the previous three levers will ultimately determine how hard you will have to pull the final lever, pricing. For example, let's say you have determined your space and your product, you know how many attendees you need per session, and you want to pay your coaches a more aggressive hourly rate to service each session. In order to hit the margins needed for the business, you will most likely need to charge a higher monthly price. Conversely, if all of the above is true, yet you have decided to pay an hourly rate that is more aligned with your current market conditions, then you will be in a much better position



Ron Alterio

to charge a lower monthly fee. *Bottom line, the ideal monthly price will always be driven in large part by how much tension you put on the previous levers.*



There you have it. The four critical levers that have the greatest impact on the profitability of your paid group training. Although there is no set amount of tension that works for every situation, it is key for you to start somewhere. Begin by entering in a placeholder for each lever and calculate what your margins would be. Since you are making adjustments that will ultimately impact the business, the member and your staff, be prepared for a little back and forth. Continue the process and make adjustments until you arrive at the ideal sweet spot for your business.

(Ron Alterio is the Vice President of Operations for XGT Fitness. He can be reached at 833.TEAMXGT, Ext. 803 or ron@xgfitness.com.)

...Karen Woodard-Chavez

continued from page 20

Is that correct?" When you ask questions, it tells the person you are interested and engaged.

Informed

Tool #1: Be Proactive

Being informed requires you to be Proactive. Being Proactive is the **#1 habit** in *The 7 Habits of Highly Successful People* by **Stephen Covey**, a classic in being a

more productive human being personally and professionally.

What are the issues going on in your organization that you need to know about? What are the activities going on that you need to know about? What are the policies/procedures you need to know about?

You need to seek these out and not wait for someone to come and tell you. This means you need to be curious at work and ask questions about what has changed, what is new, etc.

A tool that may help your organization with this is the **Hot Sheet**. The

Hot Sheet is what is new or has changed in the last few days, who is working today or who is off today, who the Manager on Duty (MOD) is at what times or anything that we may be asked questions about that we need to know the answers to. It needs to be updated daily and all staff need to check in with it. It can literally be a sheet that goes in a binder, or it can be a message board that you utilize online.

So, we end with how we began by asking the question: *Are you an asset or a liability in your workplace?* I am hoping you can answer 100% that you are a clear asset for your organization. If your answer

is any less than 100%, you now have some tools to utilize to enhance your position as an asset in your organization.

(Karen is President of Premium Performance Training in Boulder, Colorado and Ixtapa, Mexico. She has owned and operated clubs since 1985 and now consults with and trains club staff throughout the world. She provides her services on-site, online, by phone and through her books, CDs, DVDs and manuals. She can be contacted at 303-417-0653 or karen@karenwoodard.com.)

Peloton's Infringement Lawsuit and What It May Mean for Health and Fitness Clubs

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

Whether in the form of an instructor's playlist or as background noise, most health clubs rely on music to enhance their members' experience. However, a lawsuit involving Peloton and members of the National Music Publishers Association (NMPA) highlights the legal aspects of utilizing music for commercial purposes. This lawsuit remains open and will continue to be worthy of monitoring for what it will mean to the licensing of music for commercial purposes.

The \$150 million lawsuit filed against Peloton by members of the NMPA claims that Peloton has been using their music without obtaining the proper licensing. NMPA President and CEO, David Israelite, has publicly elaborated by alleging that Peloton has, "properly licensed some music but not all music."

As a result of the lawsuit, Peloton removed hundreds of classes from its on-demand platform. However, Peloton responded to the lawsuit by filing a counterclaim against the music publishers alleging antitrust behavior, teaming up against Peloton in a coordinated effort to fix prices on the publishers' part. Peloton also claims that the NMPA has committed "tortious interference" that has prevented Peloton from being able to arrange agreements with the individual music publishers.

The publishers have filed a motion

to dismiss the counterclaim, alleging that Peloton has failed to establish collusion on the part of the publisher or interference on the part of the NMPA. Compounding legal matters, a Peloton rider has filed a class-action lawsuit claiming that the removal of the classes from Peloton's on-demand platform has significantly diminished the riding experience.

The stakes and claims involved within the Peloton lawsuit serve as a reminder that health clubs must obtain a public performance license when using music for commercial purposes. A public performance license ensures that owners of copyrighted music are compensated for the use of their intellectual property. Performance rights organizations handle these licenses by representing songwriters and copyright owners. The top three performance rights organizations in the United States are the **American Society of Composers, Authors and Publishers (ASCAP)**, **Broadcast Music Inc. (BMI)** and **SESAC Performing Rights**.

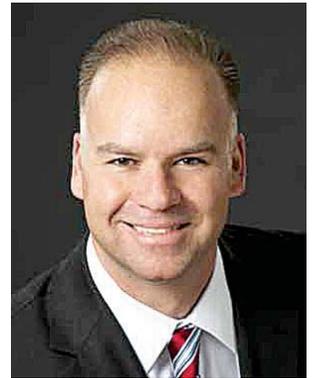
Many health clubs use a commercial music service, and some mistakenly believe that the service takes care of the health club's licensing obligations. However, these services are typically licensed with a performance rights organization to provide music only for background use in common areas. Using the music for a class or for instructional purposes will generally not be covered by a commercial music service agreement.

Since music service agreements vary, it is crucial that any agreement is carefully reviewed. The health club is responsible for ensuring compliance in this regard, rather than the employees and instructors who are often deciding what music is to be used for classes and instruction.

As it relates to streaming music services, their terms and conditions tend to make clear that they are for non-commercial use only. Public performance rights must also be secured for TV and radio use under certain conditions and in most instances. Utilizing music-on-hold is also considered a public performance of the music, and therefore, are subject to licensing requirements.

The nuances present within this arena, and the potential financial liability involved, are far too complex and weighty for the allotted space here. **Therefore, if you haven't engaged an intellectual property attorney to ensure that all of your music is licensed, this article is intended as a call to action rather than any form of legal advice. Please consider the preceding comments as an educational guide, and please consult an attorney for specific direction.**

(Paul R. Bedard, Esquire has nearly twenty years of management, leadership and operations experience in the health and fitness industry. As a practicing attorney, Paul's health and fitness industry experience provide him with a unique



Paul R. Bedard, Esquire

perspective when advising health clubs regarding employee training, handbooks, policies, contracts, disputes or premises liability claims. When not practicing law or spending quality time with his wife and daughters, Paul strives to be active in his local community. Paul serves as the current Assistant Town Attorney for the Town of Southington, Connecticut, and has previously served on the Southington Zoning Board of Appeals and the Board of the Central Connecticut Regional Planning Agency. Paul is also a partner at Sheffy, Mazzaccaro, DePaolo & DeNigris, LLP, in Southington, Connecticut. You can reach Paul at pbedard@smddlaw.com or 860-620-9460 x109.)

Recipients of Two 2019 IHRSA Institute Scholarships Announced

BOSTON, MA - The IHRSA Institute has been a foundation for developing business leaders in the health club industry for more than 30 years. IHRSA is pleased to announce the recipients of two scholarships to attend the 2019 event this summer:

Maureen Eggers, *Health & Fitness Manager for Washington Athletic Club in Seattle, WA*, is the recipient of **The John McCarthy Scholarship**.

Jason Stokes, *General Manager and Managing Partner of Sportsplex-New Windsor in New Windsor, N.Y.*, is the recipient of **The Curt & Jane Beusman Scholarship**.

The *John McCarthy Scholarship*, named for *IHRSA's first Executive Director*, and *The Curt & Jane Beusman Scholarship*, named for *two of IHRSA's most passionate*

founders, are awarded to individuals who demonstrate a passion for and absolute commitment to the health and fitness club industry's future and leadership skills in club operations, sales or service.

Each scholarship, *valued at more than \$3,000*, includes a full registration to **The IHRSA Institute**, program materials and handouts, social and networking events, lodging, meals and a travel stipend. The IHRSA Institute will take place **August 6 - 9, 2019**, at *The University of North Carolina at Chapel Hill's Kenan-Flagler Business School*.

Maureen Eggers, *Health and Fitness Manager for Washington Athletic Club*, is responsible for overseeing staffing, service and operations in three areas of the five-star private club. Maureen has played a key role in the planning, design and operation of the WAC's first off-site corporate fitness space, as well as the

WAC's brand-new women-only strength training studio. Maureen is passionate about her professional growth and leading a team that is committed to providing an exceptional member experience.

Jason Stokes joined the *Sportsplex-New Windsor staff* as the *Junior Tennis Coordinator* in 2011. His desire to learn more about the day-to-day club operation led him on the path to becoming *General Manager and Managing Partner* of the club in 2017. Since that time, the club has seen a surge in new memberships, something Jason attributes to his hands-on approach, a focus on customer service and a commitment to hiring a management team that fit the vision and culture he and his business partner developed.

A judging panel of highly experienced and dedicated industry professionals helped to select the scholarship recipients. The panel included:

■ **Rick Beusman**, *President, Saw Mill Sports Management, Inc.*;

■ **Rick Caro**, *President, Management Vision, Inc.*;

■ **Bill McBride**, *President & CEO, Active Wellness & BMC3*;

■ **Michele Melkerson-Granryd**, *General Manager, Castle Hill Fitness 360*;

■ **Bud Rockhill**, *Owner, CW Strategic Advisors*.

The **IHRSA Awards Program** seeks to "recognize, celebrate, and inspire." For more information about IHRSA's annual industry awards and scholarships, please visit www.ihrsa.org/awards.

Basics of Estimated Taxes for Individuals

By: **Kristen Deazeley**

The *United States Tax System* operates on a *pay-as-you-go* basis. This means that taxpayers need to pay most of their tax during the year, as the income is earned or received. Taxpayers must generally pay at least 90% of their taxes throughout the year through withholding, estimated or additional tax payments or a combination of the two (however, see 2018 Penalty Relief section later in this article). If they don't, they may owe an estimated tax penalty when they file.

The IRS has seen an increasing number of taxpayers subject to estimated tax penalties, which apply when someone underpays their taxes. The number of people who paid this penalty jumped from 7.2 million in 2010 to 10 million in 2017, an increase of nearly 40%. The penalty amount varies but can be several hundred dollars.

The *Tax Cuts and Jobs Act*, enacted in December 2017, changed the way tax is calculated for most taxpayers, including those with substantial income not subject to withholding. As a result, many taxpayers may need to adjust the amount

of tax they pay each quarter through the estimated tax system.

Here are some simple tips to help:

Who may need to pay estimated taxes:

Individuals, including sole proprietors, partners and S corporation shareholders may need to make estimated tax payments if:

- They expect to owe at least \$1,000 when they file their tax return.
- They owed tax in the prior year.

Taxpayers who may need to make estimated tax payments include someone who:

- Receives income that isn't from an employer, such as interest, dividends, alimony, capital gains, prizes and awards.
- Has tax withheld from their salary or pension, but it's not enough.
- Has more than one job but doesn't have each employer withhold taxes.
- Is self-employed.
- Is a representative of a direct-sales or in-home-sales company.
- Participates in sharing economy activities

where they are not working as employees.

Wage-earners and salaried employees can avoid estimated tax payments by having their employer withhold tax from their wages. To determine the right amount to withhold, they can use the *Withholding Calculator*, available on **IRS.gov**. Then, based on its recommendations, they can use *Form W-4, Employee's Withholding Allowance Certificate*, to tell their employer how much tax to withhold from their pay. Anyone can change their withholding any time during the year.

When to pay estimated taxes:

For estimated tax purposes, a year has four payment periods. Taxpayers must make a payment each quarter. For most people, the due date for the first quarterly payment is April 15. The next payments are due June 15 and September 15, with the last quarter's payment due on January 15 of the following year. If these dates fall on a weekend or holiday, the deadline is the next business day.

If a taxpayer doesn't pay enough or pays late, a penalty may apply.

How to figure estimated taxes:

The IRS recommends that everyone do a paycheck checkup in 2019, even if they did one in 2018, to determine if they need to adjust their tax withholding or make estimated tax payments throughout the year. Although especially important for anyone with a tax bill for 2018, it's also important for anyone whose refund is larger or smaller than expected. By changing withholding now or making estimated tax payments, any taxpayer can better ensure they get the refund they want next year. For those who owe, making estimated tax payments in 2019 is the best way to head off another tax-time surprise next year.

Taxpayers should also make adjustments throughout the year if changes occur. When figuring their estimated taxes each year, taxpayers need to account for life events, like marriage or the birth of a child, that may affect their taxes. They should also adjust for recent changes in the tax law.

Individuals, sole proprietors, partners and S corporation shareholders generally use the worksheet in *Form 1040-ES*. They'll need to know their expected adjusted gross income. They'll also need to estimate their taxable income, taxes, deductions and credits. Some taxpayers find it helpful to use information from their prior year's tax return when they complete the worksheet. Their estimates should be as accurate as possible to avoid penalties. Some taxpayers earn income unevenly



Kristen Deazeley

during the year. Taxpayers like this can annualize their income. Under this method, they'd make unequal tax payments based on when they receive their income, rather than four even payments. Doing so could help them avoid or lower a penalty because their required payment for one or more periods may be higher with this method. See *Worksheet 2-9* in *Publication 505*.

How to pay estimated taxes:

Taxpayers can pay online, by phone or by mail. The *Electronic Federal Tax Payment System* and *IRS Direct Pay* are two easy ways to pay. Alternatively, taxpayers can schedule electronic funds withdrawal for up to four estimated tax payments at the time that they electronically file their *Form 1040*.

Taxpayers can make payments more often than quarterly. They just need to pay each period's total by the end of the quarter. Visit **IRS.gov/payments** for payment information.

Penalties related to estimated taxes:

If a taxpayer underpaid his taxes, he may have to pay a penalty. This applies whether he paid through withholding or through estimated tax payments. A penalty may also apply for late estimated tax payments even if someone is due a refund when he files his tax return.

In general, taxpayers don't have to pay a penalty if they meet any of these conditions:

- They owe less than \$1,000 in tax with their tax return.
- Throughout the year, they paid the smaller of these two amounts:
 - At least 90% percent (however, see 2018 Penalty Relief section later in this article) of the tax for the current year.
 - 100% of the tax shown on their tax return (See *Kristen Deazeley Page 26*)

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for the prior year; this can increase to 110% based on adjusted gross income.

To see if they owe a penalty, taxpayers should use *Form 2210*.

The IRS may waive the penalty if someone underpaid because of unusual circumstances and not willful neglect. Examples include:

- Casualty, disaster or another unusual situation.
- An individual retired after reaching age 62 during a tax year when estimated tax payments applied.
- An individual became disabled during a tax year when estimated tax payments applied.

There are special rules for

underpayment for farmers and fishermen. *Publication 505* has more information.

2018 Penalty Relief

The IRS is waiving the estimated tax penalty for many taxpayers whose 2018 federal income tax withholding and estimated tax payments fell short of their total tax liability for the year. The penalty will generally be waived for any taxpayer who paid at least 80% of their total tax liability during the year through federal income tax withholding, quarterly estimated tax payments or a combination of the two. The usual percentage threshold is 90% to avoid a penalty.

The waiver computation is normally reflected in commercially available tax software and in the latest version of *Form 2210, Underpayment of Estimated Tax by Individuals, Estates and Trusts*, and

its instructions.

This relief is designed to help taxpayers who were unable to properly adjust their withholding and estimated tax payments to reflect an array of changes under the *Tax Cuts and Jobs Act*.

The updated federal tax withholding tables, released in early 2018, largely reflected the lower tax rates and the increased standard deduction brought about by the new law. This generally meant taxpayers had less tax withheld in 2018 and saw more in their paychecks. However, the withholding tables couldn't fully factor in other changes, such as the suspension of dependency exemptions and reduced itemized deductions. As a result, some taxpayers could have paid too little tax during the year if they did not submit a properly-revised W-4 withholding form to their employer or increase their estimated tax payments.

The IRS and partner groups conducted an extensive outreach and education campaign throughout 2018 to encourage taxpayers to do a "Paycheck Checkup" to avoid a situation where they had too much or too little tax withheld when they file their tax returns.

Although most 2018 tax filers are still expected to get refunds, some taxpayers will unexpectedly owe additional tax when they file their tax returns. Additional information on estimated taxes can be found at [IRS.gov/payasyougo](https://www.irs.gov/payasyougo).

(Kristen Deazeley is a Public Affairs Specialist in the Tax Outreach, Partnership and Education office of the Internal Revenue Service Communications & Liaison Division. She currently partners with employers, industry and trade associations to deliver tax outreach and education. She is a NASM-Certified Personal Trainer.)

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Thanks and Appreciation

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

A very sincere **Thanks and Appreciation** go to **Rick Caro, Dr. Gerry Faust** and the **Faust Executive Roundtable #1** for helping me decide in 1993 what my home-based business would be. **Thanks and Appreciation** to my long-time friends, **Ron Hudspeth** and **Cathy Miller** of **Atlanta's Hudspeth Report** for the tremendous assistance they provided us during *our first eight years of publication*. **Thanks and Appreciation** to all of the folks at **Walton Press** in Monroe, Georgia. They've done an absolutely excellent job for us all these years and have printed every one of our **307** monthly editions! **Thanks and Appreciation** to all of our **READERS**. Sincere **Thanks and Appreciation** to our **Club Insider Advertisers**, past and present, for their kind and dedicated support of this publication. It's amazing to know that we have several advertisers with over a decade of continuous advertising with us. We also want to say sincere **Thanks and Appreciation** to all of our **Club Insider Contributing Authors**, past and present, who've contributed *thousands* of excellent articles to help our readers with their Best Business Practices. **Thanks and Appreciation** to **IHRSA** for all it does.

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

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

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

Norm Cates, Jr.

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