

Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry



The Titan Fitness & Fitness Connection Team (L to R) Jeff Skeen, Aaron Lieberman, AJ Mushtaq, Dal Clayton, Tag Entwisle, Josh Harwood, Phil Howard, David Frankie, Rick Zimmer, Bruce Nickel and Mike Schnakenberg

Jeff Skeen *One Class Act!*

OCTOBER 2012

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Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry

Jeff Skeen One Class Act!

By: Norm Cates

One Class Act are the best words this wordsmith could come up with to describe Jeff Skeen, President and CEO of Titan Fitness and Fitness Connection, a chain of 15 locations.

Although I've had limited one-on-one personal contact with Jeff, I did have the pleasure, and benefit, of hearing him speak at an IHRSA luncheon a few years back. I can tell you he commanded the full attention of everyone in that room. Jeff provided a terrific presentation on the financial side of our industry, an important part of the business in which he's an acknowledged expert.

I've had the pleasure of meeting

Jeff in person and shaking his hand at trade shows, and I can tell you that, after witnessing his IHRSA presentation, recalling our personal meetings, speaking with his friend and former partner, Kirk Galiani and reviewing Jeff's Cover Story comments that follow, Jeff Skeen is **One Class Act**.

Jeff's Dad was a Navy man and his son, Jeff, was born in the Bethesda, Maryland Naval Hospital. He grew up in the Washington, D.C. area. Jeff graduated from Langley High School in McLean, Virginia and from Virginia Tech with a focus on finance and accounting. Jeff was a wrestler, and he played soccer and rugby in high school. At Virginia Tech, he played rugby, a sport often jokingly described

because of how tough the game really is, as one where the participants "*Eat their dead*." Jeff has been married to his wife, Laura, for 22 years, and they have two daughters, Faith, 10, and Kathryn, 9.

It's my great pleasure to present this terrific Cover Story interview with Jeff Skeen, President and CEO of Titan Fitness, **One Class Act**.

An Interview with Jeff Skeen

CLUB INSIDER (C.I.) - Jeff, what year was it, and how did you happen to become involved in the health and fitness club industry in the beginning?

Jeff Skeen (JS) - Towards the end of 1991, (See *Jeff Skeen* Page 12)



Jeff Skeen

Planet Fitness Under Contract to Be Sold!

By: Norm Cates

During the past year, Planet Fitness has been in the news quite a bit.

First, early in the year, there was news that Planet Fitness was working on an Initial Public Offering (IPO). This development was kept very quiet by Planet Fitness' Founder, Mike Grondahl, and was put aside a few months ago when the next big Planet Fitness news item hit.

That next big news item was that, during their due diligence work on a planned IPO, the Planet Fitness officials got into a legal fight with their New York City franchisee. The lawsuit ended up derailing the effort to go public.

Planet Fitness Corporate owned a 33% stake in the roughly 30 New York City

Area Planet Fitness locations. After months of legal wrangling, the lawsuit was settled out of court, and the end result was that Planet Fitness Corporate received 100% ownership of nine New York City area Planet Fitness Clubs and took back the Planet Fitness territorial rights in New Jersey and Long Island, New York.

The lawsuit really bothered Mike Grondahl personally, and he expressed a great sense of personal pain about the situation to this author during several phone conversations. Mike was greatly relieved when the case settled.

Over the past several years, Mike told me, Planet Fitness has received 20 or more offers to acquire the company, all of which were turned down. This started with (See *Planet Fitness* Page 6)

Steve Borghi, et.al Defendants in Class Action Lawsuit Brought By His Members

By: Norm Cates

Long before this Class Action Lawsuit, the writing was already on the wall about Steve Borghi, the owner of a chain of clubs he operates under a licensed name, "**WOW! Work Out World**." The parent company name is Blast Fitness, and guess what, Borghi does not even OWN legal rights to the name! Guess who does? If you are a loyal reader of **CLUB INSIDER**, you know the answer to this one, too: Mike Grondahl, the Co-Founder and Head Man at Planet Fitness owns the rights to the name Borghi is illegally using. In my previous writings on the subject, I predicted more bad things to come for Borghi. This was over a year ago!

It certainly looks a lot like the most recent move Borghi made, in which he acquired 39 Bally Total Fitness Clubs, will be impacted by this Class Action Lawsuit, as well. The word I get from one of the members in the former Bally Total Fitness clubs, acquired by Borghi in Wisconsin, is that the transition there has been total madness and such a big mess that both employees and members have no idea what the heck is going on, or what's next.

Reviewing the actual lawsuit document, this chronicler of Borghi's actions has learned the following:

The PLAINTIFFS are: STEFANO D'AGOSTINO and BRIAN MONAGHAN, on behalf of themselves (See *Steve Borghi* Page 6)

Inside The Insider

- What Your Club Can Learn From a Grocery Store - **By:** Will Phillips
- Tuning Up Your Sales Team this Fall - **By:** Casey Conrad
- 3 Things Managers Should Stop Doing - And What To Do Instead... - **By:** Brenda Abdilla
- A Legacy of Healthy Wealth - Part III - **By:** Donna Krech
- Grow Group Fitness With 5 Easy Metrics - **By:** Laurie Cingle
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- ABC Financial Releases Software Enhancements
- Cybex Raises Funds for Breast Cancer Research in 4th Annual Pink Ribbon Run
- World Health Club's Edmonton Clubs Acquired
- IHRSA 2013 Business Leading Headliners & Schedule of Events Announced!
- Scott Dennis Passes Away
- And of Course, *Norm's Notes*

Norm's Notes

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

•**Is America a great country, or what? Hmm... Hmm... Hmm...!** By the time you receive our 20th Anniversary Special Edition of CLUB INSIDER next month, we'll all know who's going to lead America as our President for the next 4 years! I urge you to get out and VOTE on Tuesday, November 6th!

•A belated Happy Birthday to my pal, RICK CARO, President of Management Vision in New York City, who turned 67 on October 12th. He is so dedicated and committed to our industry that he spent his Birthday time on an airplane returning to New York City from the 2012 Club Industry Trade Show and Convention in Las Vegas! Best wishes, Rick, for many more great years to come! Since I did not attend the CEO Summit Rick produced for Club Industry, I reached out to him for a quick summary. He was very kind to provide this:

"The 2nd Annual CEO Summit was held in Las Vegas at Club Industry. It was an invitation-only event and encompasses a wide variety of segments of the club industry. It was hosted by Club Industry and me. All who attended found the facilitated group discussions, the CEO

Panel and the luncheon program to be most effective. The sharing of specific club ideas and issues as well as overall industry challenges proved to be most worthwhile."

•**I'm honored, and the truth is it's because of you, our dedicated readers,** that I'm checking in today with this October 2012 Edition, the last issue of our 19th year of publication! This is clear proof that there is a God! This is our 226th monthly edition since we began publishing in November, 1993! We'll celebrate our 20th Anniversary next month with a 20th Anniversary Special Edition, in which I'll go back to CLUB INSIDER's day one and review the amazing past 20 years of publication. Plus, we will be celebrating in Las Vegas at IHRSA2013! I welcome all of you to weigh in with your comments on CLUB INSIDER by emailing them to me at Norm@clubinsideronline.com. To say that this has been an amazing 20 years of health and fitness club happenings is an understatement. CLUB INSIDER production has been FUN, amazing, hard work, and we think, productive work. And, we believe we've made a difference in the health, racquet and sports club industry. We plan to keep at it with great vigor for many years to come. People ask me, "Hey Norm, when are you going to retire?" And, to all, my answer has been and will continue to be, "Hell NO!" What would I do then? Go back to being an airline pilot?

I think NOT, as the airline pilot retirement age is 65!

As far as I'm concerned, retiring before I'm 90 is not something I'll even think about for more than a few seconds. I'm blessed to have good genes passed on by my Dad who lived to be 92. So, STAY TUNED FOLKS! I'll see y'all in Las Vegas at IHRSA32 this coming March 19th - 23rd at the beautiful Mandalay Bay Resort. This will be RICK CARO's and my 32nd Annual IHRSA Convention and Trade Show, as Rick and I have never missed an IHRSA Convention since we co-founded the Association in 1981. Book now as the fabulous Mandalay Bay Resort in Las Vegas will be the first venue since our earliest IHRSA's events where the entire Convention and Trade Show will be under one roof! Don't waste any time because word is that the Mandalay Bay Resort is booking up fast, and I'm sure you don't want to have to walk from a neighboring hotel when you can book Mandalay Bay now! Go to www.ihrsa.org to register for the show and book your room.

•*I'm very sad* to report that a young man, SCOTT DENNIS, age 42, a veteran of the fitness equipment sector of the health and fitness industry, passed away on October 9, 2012. May Scott Dennis Rest In Peace (See the **Obituary** for Scott on Page #30). Thanks to my friend, FRANK O'ROURKE, who informed me of this sad news in Las Vegas at Club Industry



Club Industry's Stuart Goldman Presents Lifetime Achievement Award to Joe Cirulli

and assisted me with gathering information for the obituary on Page #30.

•**Congratulations** to the one and only JOE CIRULLI, the iconic and legendary Founder and owner of three Gainesville Health and Fitness Clubs in Gainesville, Florida. He was honored by Club Industry with its 10th Annual Lifetime Achievement Award. By my count, 22 people who were there to honor Joe stood when they were introduced by Club Industry's terrific writer, STUART GOLDMAN, as he presented the Lifetime Achievement Award to Joe. Before handing over the hardware, Goldman introduced a terrific video produced by Club Industry that featured some wonderful comments (See Norm's Notes Page 7)

About Club Insider

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20 Years and Counting!

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...Planet Fitness

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a \$37 million offer. Then, among many others, was an offer for \$108 million. Rejected. Later came an offer for \$210 million. Rejected again!

A Contract to Sell Planet Fitness!

Fast forward to today. There's now a tentative deal with an undisclosed buyer to acquire Planet Fitness for an undisclosed price.

This deal sure looks like the real thing to me. For sure, it certainly is a serious business development for Planet Fitness because Mike Grondahl has gone so far as to disclose the contract to sell Planet Fitness in a letter to his Franchisees in early October. In that letter,

Mike explained several important things:

1. He explained that "it appears we have made a deal to partner with a private equity firm."

2. He expressed the opinion that the deal will make Planet Fitness Corporate much stronger in a lot of ways and will accelerate the growth of Planet Fitness by providing new club financing for franchisees.

3. He explained that he and his Management Team are not going away and that he and Chris Rondeau will retain 25% ownership of the company and will run the company day-to-day.

4. He mentioned that, in the near future, consultants would be reaching out to the franchisees for their input.

5. He expressed the belief that the result of the deal, a deal that he describes as a "partnership," will strengthen the brand and is the right move at the right time for everybody connected to Planet Fitness.

CLUB INSIDER reached out to our old pal, Bob McClennan, for comment. Bob is now the owner of two Planet Fitness Centers in San Francisco and Daly City, California. Here's what Bob had to say: "I think this is a great American story. This was not an overnight success. They made it work by never giving up, an American dream that has filtered down to all the successful franchisees. Job well done. I wish them the best of luck."

Mike Grondahl did provide me with a written comment by email:

"Basically, we have a tentative deal that

we have announced to our franchisees. That is all that we can work from as of this point. There is a lot that goes into these deals, but if we are able to accomplish this, our growth will double in the coming year."

Beyond what I've shared here, this reporter cannot get any more of a definitive statement on details of the deal, including the name of the buyer, out of Planet Fitness Head Man Mike Grondahl. He continues to cite a Non-Disclosure Agreement with the prospective buyers as being an important part of the deal. That's his story, and he's sticking to it. I don't blame him for that! Mike Grondahl, Marc Grondahl and Chris Rondeau, good luck to you guys and to the entire Planet Fitness Team!

And, **Stay Tuned Folks!**

...Steve Borghi

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and all others similarly situated, filed on September 17, 2012.

The DEFENDANTS are: BLAST FITNESS GROUP, LLC d/b/a "WOW! WORK OUT WORLD," WOW MASSACHUSETTS FITNESS, LLC d/b/a "WOW! WORK OUT WORLD," and ABC FINANCIAL SERVICES, INC.

This is a CLASS ACTION COMPLAINT AND a DEMAND FOR JURY Trial has been set forth - The Plaintiffs, Stefan D'Agostino and Brian Monaghan, individually and on behalf of the class of similarly situated persons described below, bring this Massachusetts class action suit against the Defendants, Blast Fitness Group, LLC d/b/a "WOW! Work Out World; and ABC Financial Services, Inc. and states the following in support of this complaint.

Nature of the Action

1. This is a statewide class action brought pursuant to Rule 23 of the Massachusetts Rules of Civil Procedure by the Plaintiffs against the Defendants for damages where the Defendants are alleged to have engaged in breach of contract, common law fraud, intentional misrepresentation, and negligent misrepresentation in conjunction with the operation and closing of the physical fitness facility: "WOW! Work Out World" located at 17 Winter Street, Boston, Massachusetts. Important to note here is that the lawsuit says this about ABC Financial Services: The Defendant ABC Financial Service, Inc. is a Foreign Corporation organized under the laws of the State of Arkansas with a principal location at 8320 Highway 107, Sherwood, Arkansas and registered office in the Commonwealth of Massachusetts, at 101 Federal Street Boston, Massachusetts, Defendant ABC Financial Service Inc.'s registered status in the commonwealth has

been voluntarily revoked by the Secretary of the Commonwealth on June 18, 2012.

Other Items of Note

A. Both D'Agostino and Monaghan were members of the Defendant's clubs.

B. Defendant's: **BLAST FITNESS GROUP, LLC d/b/a "WOW! WORK OUT WORLD,"** and **WOW Massachusetts Fitness, LLC d/b/a "WOW! Work Out World"**, are Limited Liability Companies duly organized and existing under the laws of the Commonwealth of Massachusetts.

C. The Defendant ABC Financial Service, Inc., is a Foreign Corporation organized under the laws of the State of Arkansas.

D. One or more, or all, of the Defendants have entered into contracts with the Plaintiffs or Class Members using the identity: WOW! Work Out World, and they have been accused of breaching those contracts and/or engaged in tortious misrepresentation, fraud, unfair and deceptive business practices directly or proximately causing injury to the plaintiffs.

E. Blast Fitness Group, LLC and "WOW! Work Out World" are represented to the public as being one and the same through websites and public postings.

The case has four Counts, and they are:

Count I - Breach of Contract;
Count II - Unjust Enrichment/Restitution;
Count III - Common Law Fraud and Intentional Misrepresentation;
Count IV - Negligent Misrepresentation

This case boils down to two guys plus as many others in the same situation that they can find who've brought this Class Action Suit against Borghi's company because they joined the club and it closed, without notice, in less than 30 days of their

joining. They were not informed at the time they joined that the club would be closed in less than 30 days.

Moreover, the notice posted by the Defendants inside the window of the club stating that the club closed on September 13th did not notify members of their rights to reimbursement of prepaid dues, did not promise to stop deducting or charging monthly dues of those members who had

agreed to an automatic payment plan and did not contain any information as to how members could apply for a refund or stop automatic payments.

The Defendants apparently continued to promote and market new memberships at the location of 17 Winter Street Boston, Massachusetts right up until the day it was closed.

STAY TUNED!

COMMONWEALTH OF MASSACHUSETTS	
SUFFOLK, S.S.	TRIAL COURT OF MASSACHUSETTS SUPERIOR COURT DEPARTMENT CIVIL ACTION NO:
12-3437 F	
STEFANO D'AGOSTINO, and BRIAN MONAGHAN, on behalf of themselves and all others similarly situated,	
Plaintiff,	
v.	
BLAST FITNESS GROUP, LLC d/b/a "WOW! WORK OUT WORLD," WOW MASSACHUSETTS FITNESS, LLC, d/b/a "WOW! WORK OUT WORLD," and ABC FINANCIAL SERVICES, INC.	
Defendants.	
CLASS ACTION COMPLAINT AND DEMAND FOR JURY TRIAL	
The Plaintiffs, Stefano D'Agostino and Brian Monaghan, individually and on behalf of the class of similarly situated persons described below, bring this Massachusetts class action suit against the Defendants, Blast Fitness Group, LLC d/b/a "WOW! Work Out World," WOW Massachusetts Fitness, LLC, d/b/a "WOW! Work Out World" and ABC Financial Services, Inc., and states the following in support of this complaint:	
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...Norm's Notes

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by some of Joe's long-time industry friends: **DAVID PATCHEL-EVANS, BLAIR McHANEY, CASEY CONRAD, CLIFF BUCHHOLZ, DEREK BARTON, FLORENCE AULD, FRANK NAPOLITANO, GEOFF DYER, RICK CARO** and **WILL PHILLIPS**. Joe's comments were very meaningful and poignant to the audience of club owners, managers and operators. He shared one saying that has carried him a long way during his career, "You become what you think about most of the time." My favorite

comment that Joe shared was, "If you help enough people get what they want out of life, you will get what you want out of life as well." The comments Joe shared during his Award acceptance speech illustrate exactly why Joe Cirulli now holds the status of health club industry icon and legend. He now serves over 27,000 members in his three Gainesville, Florida clubs. Again, **congratulations Joe!**

• **Congratulations to JOHN DiJULIUS**, the **Club Industry Show Keynote Speaker**, as he provided an excellent presentation on **Customer Service**, and I'd recommend his books and work to

anyone in the club business. Check out **www.thedijuliusgroup.com** for information on his books and teachings.

• **Congratulations to Club Industry Magazine's BEST of the BEST Fitness Facility Award Winners** who were introduced in **Las Vegas** at the **Club Industry Show**. The winners were:

- **Best New Member Integration Program - LifeStart Wellness Network**, Chicago, IL;
- **Best Nonmember Program - LifeStart Wellness Network**, Chicago, IL;
- **Best Behavior Modification Program - Medical University of South Carolina Wellness Center**, Charleston, SC;
- **Best New Member Sales Program - Newtown Athletic Club**, Newtown, PA;
- **Best Community-based Program**, The Keller Pointe, Keller, TX;
- **Best Children's Program**, University of Miami Herbert Wellness Center, Coral Gables, FL.

The winner of the **Best Club Management Software Award** was **ABC Financial**. **Congratulations to JIM BOTTIN**,



Norm Cates

PAUL SCHALLER and their entire **ABC Financial Team!**

• Having just returned from the **relocated Club Industry Conference and Trade Show in Las Vegas**, I feel compelled to **compliment the Club Industry folks, particularly the decision makers, because they did not let fear stop them from making two tough decisions.**

(See Norm's Notes Page 8)

JLR Associates Announces the placement of

Jay Herson
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A Letter From IHRSA's Helen Durkin

Dear Norm,

On Monday, January 21, 2013, a President will be sworn in with the oath of office. While we don't know who will be sworn in, we know that every four years is a time of change and opportunity in Washington. IHRSA wants to make sure that the club industry is prepared for the opportunity either Presidential candidate would bring to the office. Like the new member to a club who is urged to set clear goals while dreaming big, we want to do the same for the club industry.

How?

By creating a physical fitness agenda for the administration. The party platforms of both the Democrats and the Republicans recognize the cost of unhealthy lifestyles and physical inactivity. Both parties support prevention as a way to decrease health care cost and improve the health, and waistline, of Americans. But, the details on the how are missing from both. That is where the physical fitness agenda comes in. We can help the administration to make the healthy choice the easy choice for all Americans.

Imagine!

So, I ask you to imagine for a moment that the Presidential candidate of your choice just walked into your club. He says, "We have got to reduce health care costs, stop the obesity and inactivity crises facing our country and do something about chronic disease. What steps should I take to achieve these goals?"

What Would You Say?

You might not think of yourself as a public policy expert, but I disagree. I would bet you have spent a lot of time thinking about how to make people more physically active. Maybe you have been thinking in terms of getting more members or getting your community more active. Perhaps, you have followed IHRSA efforts and have been thinking, "Why don't they just try _____?" We want to know what you think. Please send me an email telling me what you think should be part of the physical fitness agenda.

Helen Durkin, J.D.
Executive VP, Public Policy
had@ihrsa.org

...Norm's Notes

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Decision #1 was to leave Chicago, and I think it was super that they had the guts and determination NOT to continue putting up with the Chicago Labor Unions that had made producing the Club Industry Shows in Chicago difficult for their company. It took a lot of guts to move the 27-year running Club Industry Show to Las Vegas in the first place.

Decision #2 was their decision to RETURN to CHICAGO next year, apparently because they have, along with

other event producers, finally worked things out with the Chicago Unions. BUT, it took MOVING the SHOW to get it done. That, I know, took a lot of guts, so more power to all involved!

So, the first big industry news I learned of upon my arrival in Las Vegas was from the lovely PAMELA KUFUHL, Club Industry Magazine Editor, who informed me at the Opening Reception that the 2013 Club Industry Conference and Trade Show would be moving back to McCormick Place in Chicago come next October 23 - 25, 2013! That was the good news! The bad news was that,

even though the Club Industry Team had put together a really terrific Las Vegas Conference Seminar Schedule and a great lineup of manufacturers and vendors for the Trade Show, the overall attendance at the seminars and trade show was just disappointing. It was not what the Club Industry folks, nor any of us who exhibited there or traveled to Vegas to teach seminars had hoped for with the conference registration reportedly being only 380 attendees. This one amazed me. Here we have an industry with, plus or minus, 30,000 commercial health and fitness clubs nationwide, and we get just 380 folks attending the conference? Huh!? Come on folks! Now, you all should know that IHRSA 2013 is coming up March 19 - 23, 2013 at the fabulous Mandalay Bay Resort in Las Vegas, and if you didn't attend Club Industry last week, I urge you to attend and support IHRSA 2013.

And, I'll close with this. Our industry, and if you are reading this, I'm talking to you, should NEVER AGAIN LET a CONFERENCE with great speakers and TRADE SHOW Exhibitors down like this industry did for this Club Industry Las Vegas Show. Never again! I hope to see ya'll in Las Vegas at IHRSA in March and at Club Industry in Chicago, next October! Finally, let me mention the special photo slideshow for Club Industry 2012 we've prepared that you can find at www.clubinsideronline.com/clubindustry2012.

•I'm not happy to have to inform you that someone I've written a lot about during 2012, STEVE BORGHI, a guy who's already been found to be outside the law in New England, has now been sued in a Class Action Lawsuit filed by former members of Borghi's WOW Workout World Clubs. Check out a summary of the Lawsuit beginning on Page #3.

•Congratulations to Atlanta's VALORIE NESS (See Photo), as she was named the 2013 PFP Trainer of the Year at the Club Industry Show in Las Vegas on October 12th. This was quite an achievement for her as she was chosen from more than 600 highly-qualified professionals who competed for the honor. I'm glad to note

that Valorie is CEO of the award-winning Catalyst Fitness Midtown, here in my home town of Atlanta. Catalyst Fitness is a 15,000 square-foot facility located in the upscale area of Midtown Atlanta. The facility is reported to be Georgia's only medically-recognized personal training and performance enhancement facility. Valorie places her focus on addressing and improving the lives of the general population, special populations and pro athletes. Her focus is first on addressing and improving her clients' quality of movement, and then helping them become bigger, stronger and faster. In her nearly 15-year career, Valorie has traveled extensively to help educate current and future fitness professionals at many of the conferences in the U.S. and overseas. The PFP Trainer of the Year award is a terrific way to recognize individuals in our industry who are not only models for the fitness profession but someone who seeks to have a lasting and direct impact on people's lives with integrity, professionalism and a genuine passion for helping others. Check out Valorie's story in the November/December 2012 issue of JOSH VOGT's PFP!

•I was thrilled to see long-time industry friends, DEAN and LINDA WALLACE in their new part-time hometown, Las Vegas, and I was particularly thrilled to learn that Linda is still doing very well in her recovery from LEUKEMIA. God bless you, Linda! Stay well!

•Check out the Zang Social Ad on This Page and contact this new CLUB INSIDER advertiser! The Zang guys entertained a lot of people at the show with their playful Elephant working the floor! Check out www.zangsocal.com.

•IHRSA is seeking nominees for the upcoming JULIE MAIN Leadership Scholarship and the Outstanding Community Service Awards that will be given at IHRSA32 in Las Vegas. So, I reached out to TARA VERITY, Senior Service Project Manager at IHRSA, who wrote: "We are now accepting applications for the Julie Main Woman's Leader Scholarship and the Outstanding Community Service Award. The application deadline for both is December 7th. Below are the links to find all information, including the applications (and reference form for the scholarship): 2013 Julie Main Woman Leader Scholarship - www.ihrsa.org/mainsscholarship; 2013 Outstanding Community Service Award - www.ihrsa.org/awards. Please don't hesitate to contact me with questions at either tv@ihrsa.org or (617) 316 - 6705."

•GAIL deLEEDE, the former wife of my long-time friend, and club industry veteran on both sides of the big pond, TONY deLEEDE, owns a great Atlanta-based company called Active XL Promotions.

(See Norm's Notes Page 10)

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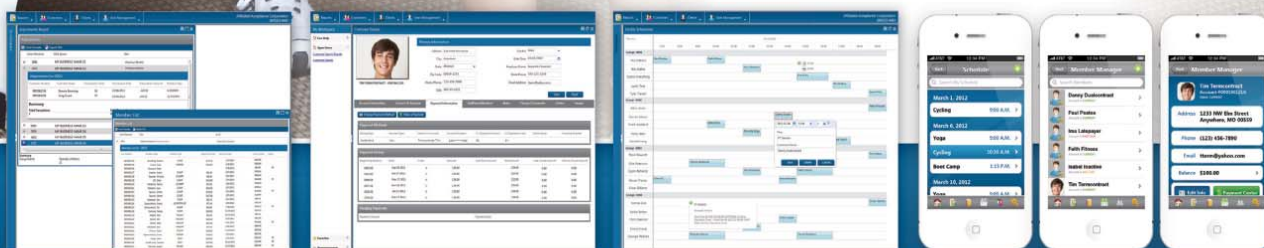
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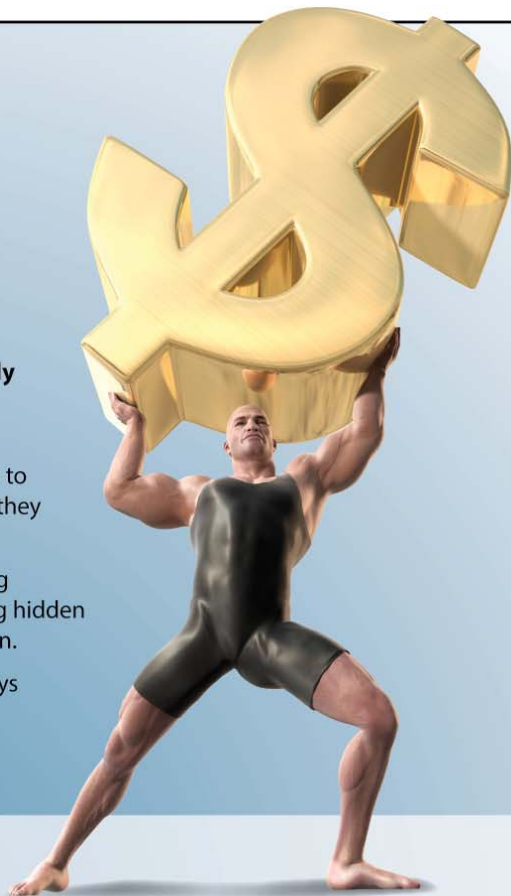
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...Norm's Notes

continued from page 8

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• **Welcome to BRENDA ABDILLA**, a long-time industry friend of mine, as she is our newest **CLUB INSIDER Contributing Author!** Check out Brenda's terrific **Article on Page #24** entitled, **3 Things Managers Should Stop Doing And What To Do Instead**. Brenda is a veteran consultant in our industry, and she provided us with this Bio: Brenda Abdilla is passionate about momentum. She

likes results-oriented action so much she founded her company on the principle of moving people and organizations forward. Brenda is a skilled professional mentor using her experience and advanced tools to help motivated professionals reach their desired outcomes. Those outcomes include promotions, career-changes, higher productivity, better internal relations; most anything that moves a person's career or business forward. Brenda is the author of two books about getting results at work with a third book underway. Sign up for her free newsletter and inquire about hiring Brenda's Management Momentum at www.ManagementMomentum.net.

• **SGMA (Sporting Goods Manufacturing Association)** has added **Fitness** to the Association name, making it the **Sports and Fitness Industry Association (SFIA)**. This is similar to the move **IHRSA** made in 1993 when the word **Health** was added to the name making the acronym **IRSA** become **IHRSA**, with the new name being **International Health, Racquet and Sportsclub Association**.

• Mark down the names of *two new products* that I think you'll see a lot more of in the future: (1) **SmoothieCompany.com** and (2) **reACT**, a new, high tech cardio fitness machine that, reportedly, **LifeTime Fitness** has bought a bunch of already. The **SmoothieCompany.com** offers something many clubs without snack bar operations might be interested in. It's a turn-key **Smoothie Bar** which can be installed without plumbing work or any special construction. All

you do is roll it in, hook it up and starting selling. Learn more at www.SmoothieCompany.com. To learn more about **reACT**, their website is www.reactrainer.com. The guys rolling this new machine out include: **LEE GUTHRIE, JOHN QUATROCCHI and STEVE STRICKLAND**. Good luck with it, guys!

• **In Las Vegas**, it was nice seeing club owners/operators **JOE CIRULLI** and his brother, **MIKE**; **BILL McBRIDE**; **GREG AND JILL ROWE**; **DAVID PATCHEL-EVANS**; **TODD SMITH**; **JENNIFER HARDING**; **JOHN OVANESSIAN**; **JIM SMITH**; **STEVE PANDOLFE**; **FRANCES MICHAELSON** and **JEFF SKEEN**, as well as other club owners who dropped by my Booth. Also, it was great meeting **ALEX GATES** and **JASON STANKOWSKI** of the **Clayton Partners Private Investment Firm**; **JOE SCHMITZ**, President of **F.I.T. Leasing**, as well as others at the **Trade Show**. Plus, let me give a shout out to folks I had quick visits with, such as **DARON "ROCKETMAN" ALLEN**, **STEVE AYERS**, **MICHAEL ROJAS** and **Team, JENNIFER URMSTON LOWE**, **KAY APLIN**, **ROB RIDEOUT**, **CASEY CONRAD**, **DEREK BARTON**, **KAREN WOODARD-CHAVEZ**, **LAURIE CINGLE**, **BRUCE AND JOHANNA CARTER**, **EDDIE TOCK**, **CHRIS MILLNER**, **BARRY BLEUER**, **MATT ZAGRODSKY**, **RANDY IVEY**, **KEN REINIG**, **RUDY FABIANO**, **TOM HUNT** and **Team, CHUCK LEVE**, **DEAN KATO** and all others I had the pleasure of seeing, but may have missed listing their names here. It

was **GREAT** seeing you all! Thank you **ALL** for being in Las Vegas! Finally, let me mention the **special photo slideshow for Club Industry 2012** we've prepared that you can find at www.clubinsideronline.com/clubindustry2012.

• *Some folks* may not know that **CLUB INSIDER** is a **Paid Subscription-based Publication**. Are you a **Paid Subscriber**? If the words **PROMOTIONAL COPY** appear above your name and address on the cover of this month's edition, you are *not* a **Paid Subscriber**, and you are *not* enjoying the full benefits of a **Paid Subscription** to **CLUB INSIDER**. So, don't delay! Subscribe today by going to www.clubinsideronline.com/subscribe!

• **God bless all of our troops, airmen and sailors and keep them safe. Congratulations and Welcome Home** to all of our troops who've served in **Iraq** and **Afghanistan**. **God bless you and your family, your staff, your members and your club(s). Register and make plans to get out and VOTE, folks! God bless America!** (Norm Cates, Jr. is a 38-year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of **CLUB INSIDER**, finishing its 19th year of publication with this October edition. Cates was **IHRSA's 1st President**, and a Co-founder of the Association with **Rick Caro** and five others, in 1981. In 2001, **IHRSA** honored Cates with its **DALE DIBBLE Distinguished Service Award**, one of its highest honors. Cates may be reached by phone at **770 - 635 - 7578** or email at Norm@clubinsideronline.com)



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...Jeff Skeen

continued from page 3

I had left my position as GM of a pension software development firm and received six offers from different financial services companies. The week before I was going to accept one of the offers, I was working out at the Gold's Gym my high school buddies, Kirk and John Galiani, had opened in Fairfax, Virginia. Kirk and I started talking about what I was up to, and I shared with him that I was getting ready to accept a job with a financial services company. He immediately said that I needed to become a partner of his and John's. I laughed at first because I considered myself a businessman and not a gym rat. Kirk insisted that I consider the opportunity. I told him that I would join him and his brother if three conditions were met:

1. I had to see their financials to see if they were making money and could give me some type of salary.
2. I would not work on the Sabbath.
3. My wife, Laura, had to approve it. I thought for sure she would think it was crazy and this would give me my way out of being in the gym business.

Kirk said that he could take care of the first two requests; however, the wife thing was out of his control. After reviewing the financials and seeing that my first two requests were met, I went home, and before I could say more than 'Laura, I have something I want to run by you...' she said 'go join your buddies.' I was shocked that my wife would agree to such nonsense; however, her logic was sound. I was only 26 years old, had worked hard with saving a company from bankruptcy out of college and then running a software company, and this would be an opportunity for me to take a mental break and have fun with my high school friends. If it didn't work out, I was young enough to get a "real" job. As you can see, the gym business *is my real*

job now, and I can't imagine being in any other industry. I must reemphasize that it is because of my wife that I am in the fitness industry, because I would have never done it unless she had encouraged me.

C.I. - Right from your first year of health and fitness club industry involvement, please trace your path in the industry thereafter, including telling our readers about your involvement with what was called 'The G Group,' who the G Group parties were, etc?

JS - The first company I was a partner in was the company Kirk and John Galiani founded called the G Group. The four main partners that grew the G Group were Kirk and John Galiani, Bruce Ebel and me. I joined Kirk and John in February, 1992, and Bruce came on a couple months later. We started with the gym Kirk and John opened in 1991, and by 1998, we had grown the chain to 11 locations in Virginia, Maryland, West Virginia and Washington, DC.

We had a corporate EBITDA of 40% and were the largest and most profitable Gold's Gym chain in the world, at that time. My title was CFO; however, since we only started out with one gym, it meant that I not only handled the finances and IT, I also sold memberships, did personal training, watched the front desk, cleaned the toilets and watched the kids in the kids club. The great thing about our partnership was that we all had our own expertise, and we worked and played very well together.

In 1998, Gold's Gym Enterprises, the franchisor, was up for sale, and we decided that we would take a run at trying to purchase the company. The President of PricewaterhouseCoopers (PWC) Securities worked out at our Arlington, Virginia location, and Kirk struck up a conversation with him about our crazy idea of purchasing Gold's. The President told Kirk that, if he could get a signed letter of intent from Gold's, PWC Securities would help us raise the money to buy the



The Fitness Connection

company. Immediately, Kirk and John got on a plane, flew out to Gold's in California and got the letter of intent signed.

What we didn't realize was the amount of work it would take to pull off this transaction because it was comprised of a merger and an acquisition at the same time. We had to raise private equity and bank debt to create the company. The most we had ever done was to purchase a couple gyms, so we were not built to pull off this endeavor and continue running our 11 locations.

In August 1999, our group successfully purchased Gold's Gym Enterprises with a private equity firm. After the acquisition, I decided that I would much rather be the CIO than continuing on as the CFO. One thing that I noticed was that our industry has a lot of data but didn't do a very good job of converting it to information. Being one of the owners of the largest health club chains and the most recognized brands in the industry, I saw a wonderful opportunity to venture into a part of the business that very few valued, fitness and health information.

From 1999 to 2004, I designed the Gold's Gym Information System in a manner that not only allowed our 37 corporate facilities to be connected; but also, so that we could eventually have all of our franchisees on one system. In 2004, we sold Gold's Gym International

to TRT Holdings, and I decided that I would take time off. That rest lasted two weeks before I received calls from franchisees to assist them in opening locations and running chains. It was from these calls that I founded GymWorks and then partnered with AJ Mushtaq, currently our CFO, and Josh Harwood, currently our Senior VP of Operations, to form Titan Management Solutions. I had met AJ at PricewaterhouseCoopers when they helped The G Group raise money to purchase Gold's, and I met Josh when he was a Gold's franchisee in Virginia.

C.I. - Jeff, please describe a typical Fitness Connection Clubs in your portfolio.

JS - Our average club is 45,000 square feet with a multi-amenity line-up including a pool, basketball, racquetball, group cycling, multiple aerobics rooms, kids club, large selection of cardiovascular and strength equipment, and of course, locker rooms.

C.I. - If you were to acquire a new club company, what would be your criteria?

- JS** - 1. Minimum 4-wall EBITDA margin of 25%;
2. At least 3 to 5 locations;
3. Ranked in the top 3 chains in the market;
4. Strong regional management team that will stay on after the acquisition.

C.I. - How do you position your current clubs vs. Low-price Clubs? High-price Clubs? Other clubs in the middle?

JS - We are a low-price, high-volume, full-amenity product. We offer everything that a mid-price point club has with the low-price point. As mentioned earlier, our average facility is 45,000 square feet, which includes everything for as low as \$9.95 per month. The only thing we charge extra for are one-on-one personal and group training, and in some markets, kids club.

C.I. - What are your club's differentiating strengths?

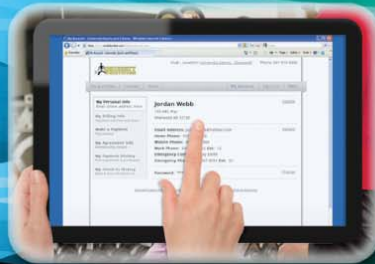
(See Jeff Skeen Page 14)



Fitness Connection Fitness Floor



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...Jeff Skeen

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JS - We consider our product 'affordable luxury.' Not only are our memberships priced at a point where more people can join our facilities, but we also provide group PT, which in some cases, only costs the member about \$1.50 per class. We feel that it is not just enough to have people join our facilities but that it is necessary to find a way to get them engaged with our professionals to help them safely achieve their fitness goals.

C.I. - Are you more likely to grow through Greenfields or club acquisitions?

JS - The last couple of years, we have been focused on acquisitions; however, next year, we will be leaning more towards Greenfield development.

C.I. - Describe the type of debt Titan Fitness seeks out? What is the typical criteria Titan Fitness uses?

JS - We use a combination of traditional and non-traditional financing vehicles.

C.I. - You also founded a company called **Titan Management Solutions (TMS)**, and you're a Principal and the Chief Executive Officer of TMS. Tell us about TMS, please Jeff. When was it founded? Who are the investors? How many clubs were part of it then, and how many are part of TMS now?

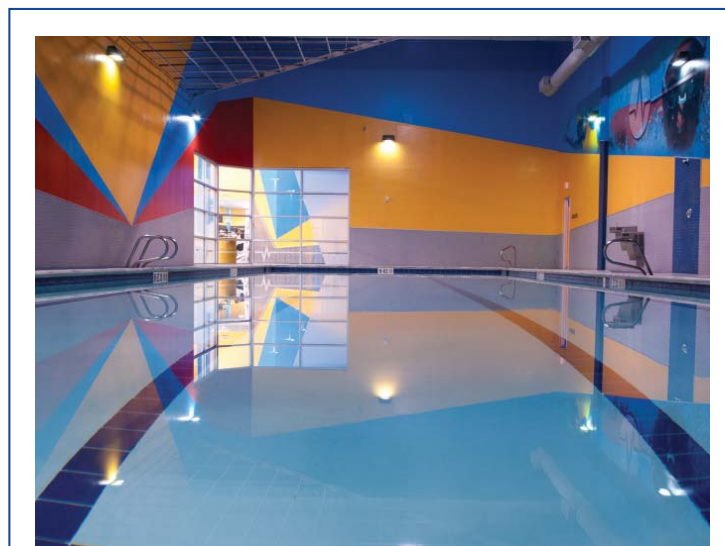
JS - TMS was founded in November, 2007. The TMS investors are AJ Mushtaq, Josh Harwood and me. TMS was a consulting company, which stopped being active when Titan Fitness was founded.

All of us saw a great opportunity to provide professional services to not only help gym operators run presales but to help them from A to Z. These services not only included assisting operators to design, open and run their businesses, but we also assisted with raising bank debt and structuring their gyms for sale. We saw a number of consulting firms handling

presales; however, we never ran into a firm that provided and implemented short- and long-term strategies to assist the gym operator. In 2006, Aaron Lieberman and Dal Clayton joined our team on the Titan consulting side. I knew Dal because he became a franchisee in the D.C. market by purchasing the original G Group Gold's in Fairfax with his father-in-law. Since we all owned gyms in the same market, we worked together as one group of gyms to allow members to share our facilities and to take advantage of operating efficiencies.

When we purchased Gold's, Dal joined our team and managed all of the corporate locations, later becoming the VP of Operations. I met Aaron when he joined us at Gold's overseeing our mergers and acquisition practice as well as our construction and greenfield division. Besides joining our Titan consulting division, we formed a real estate company that is designed to purchase commercial properties that gyms would occupy. In 2006, we all recognized that we were making other people a lot of money and that we had the makings of a team to build a successful gym chain operation. We began speaking to a number of people whom we knew in the industry who had gym chains for sale. We were able to get three gym chains to sign letters of intent to acquire their locations, and we hired M&T Investment Banking to assist us in finding private equity to fund our company, Titan Fitness. We received ten offers and eventually selected our current financial backer, WestView Capital Partners, which is a \$500 million private equity fund in Boston. From there, we have grown our chain to 15 locations under the Fitness Connection brand in North Carolina, Texas and Nevada.

C.I. - Your Resume refers to 'many successes: most notably, managing the turnaround and sale of a multi-store chain and executing the most successful presale for an internationally recognized



The Fitness Connection Lap Pool

franchisor.' Who was that Franchisor? Please tell us more about that experience.

JS - The successes we referenced were for Gold's Gym franchisees while my partners and I were with Titan Management Solutions. We assisted a number of franchisees, and the presale that we referenced was one where we opened the gym with a \$225,000 per month membership EFT draft!

C.I. - As a Virginia Tech graduate with a Finance degree, please tell us how your financial education and background has helped you succeed in your club business endeavors.

JS - Originally, when I went to Virginia Tech, I wanted to graduate and go into sales. One of my family friends, who was one of the top executives at IBM, had advised me that, if I was to go into sales, I should get a finance or accounting degree. I mentioned to him that this didn't make sense and that a marketing or communications degree seemed more logical. He advised me that God gives you the ability to be a salesperson or not. He told me that college will never teach you how to be a salesperson; however, it can teach you how to read a balance sheet and a P&L so that, as a salesperson, you can become an executive.

My friend went on to share with me that many salespeople never make it

into upper management because they don't understand finance; therefore, they never advance past a certain level in a company. He was correct and that understanding a balance sheet and P&L is critical to running a business no matter how small or large. Also, if I never would have had the finance and accounting education that I did, I could never have become an effective CFO that was part of raising money to purchase Gold's Gym and to work with two separate private equity firms. That recommendation of getting into finance and accounting was probably one of the best I ever got in my career.

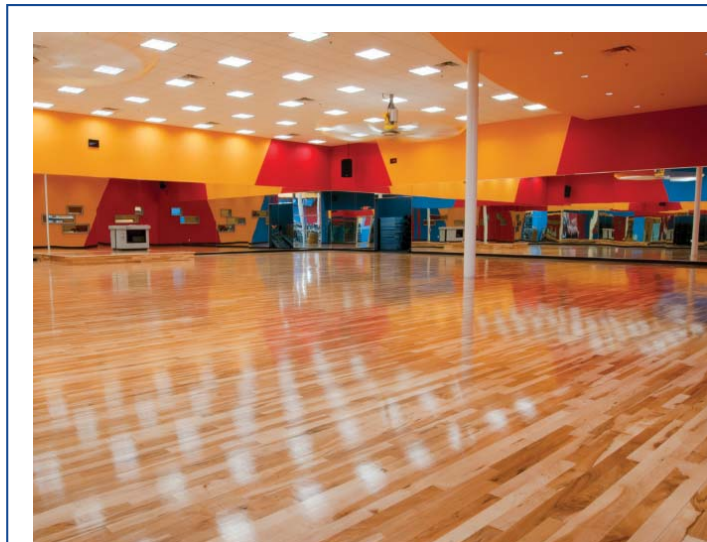
C.I. - Jeff, who are your key and most tenured Titan Fitness/Fitness Connection employees? Please share their names, current job titles and tenures with you.

JS - My business partners who I have worked with in the industry off and on:

1. Dal Clayton, Founder & COO, whom I have known for almost 20 years;
2. AJ Mushtaq, Founder & CFO, whom I have known for 14 years;
3. Aaron Lieberman, Founder & CDO, whom I have known for 12 years;
4. Josh Harwood, Founder & Sr VP of Ops, whom I have known for 12 years;
5. Phil Howard, National VP of Sales, whom I have known for 10 years;
6. Tag Entwisle, North Carolina Regional President, whom I have known for 18 years;
7. Larry Lawrence, Texas Regional President, whom I have known for 10 years;
8. Nira Serpa, Controller, whom I have known for 12 years.

What is great about my partners is that each one of them has been very successful in the fitness industry, and I feel blessed to be able to work alongside of them to grow our company.

(See Jeff Skeen Page 16)



The Fitness Connection Group Exercise Studio





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...Jeff Skeen

continued from page 14

C.I. - So Jeff, **Titan Fitness** is the corporate name of your club company and **Fitness Connection** is the name of your 15 operating clubs that are located in North Carolina, Nevada and the Texas market. What future growth plans do you have for Titan Fitness' Fitness Connection chain?

JS - We are currently working on a number of acquisitions this year and are always interested in purchasing profitable gym chains that have strong regional leadership. We are also looking at real estate in each of our markets to open new locations. We have a great relationship with our private equity firm, and they will fund our growth as long as it makes financial sense.

C.I. - Jeff, do you have any plans to sell your company? Are you discussing the sale of your company with anyone currently? If not, when would an exit be appropriate?

JS - We are focused on creating value for our shareholders through performance and expansion. As the saying goes in business, everything is for sale. We aren't in discussions with anyone; however, providing our investors with the best return possible is always very important to our team. The great thing about our current private equity firm is that they are very flexible, and the decision will be made when we can maximize shareholder value.

C.I. - What do you see as the industry's strengths at this point? Weaknesses?

JS - One of the strengths is that private equity firms are realizing the benefits of investing in our industry; therefore, we are seeing stronger operators entering the market, which is providing stability and credibility to our industry. One of the major weaknesses is that we still haven't done a great job of impacting American's lives to reduce the healthcare crises.

C.I. - Jeff, I recall hearing you speak at an IHRSA luncheon one year, and I was extremely impressed with your presentation and with you in general. Please tell us your feelings about IHRSA and how IHRSA Membership has helped Titan Fitness and Fitness Connection.

JS - IHRSA is a wonderful organization that not only provides useful information about the industry but also provides a forum for like minded operators to share ideas and network with each other. When we raised money in 2007, IHRSA was helpful in providing my business partners and me with information for our presentations.

C.I. - Please add any additional comments you'd like to make about any industry topic, Jeff.

JS - When I first entered the fitness industry, it was to have some fun with my high school buddies and to take a break from the real world. What I have found is that running a gym is running a business with a product that helps everyone. I have been very blessed to be part of an industry

that, more than ever, is necessary to help solve our healthcare crisis. I am looking forward to working with other operators to make a much more significant impact in the American population. One of the great things I see is a lot more professionalism coming into the club industry. You're seeing private equity coming in. You're seeing individuals that are doing it, not because they were body builders or personal trainers, but because they see it as a really great industry to be a part of and something that has stable recurring cash flow and is profitable. Another thing that's amazing is the thought that we haven't seen that big of a growth in the American population joining fitness facilities from 1992 until now. I believe the number is up to 16 to 18%. It's a little discouraging because you would like more people participating. Hopefully, we will see that expansion as we look into getting better programming that people can afford and our industry becomes more and more trusted as a group that can actually help people.

C.I. - Jeff, you may have seen it a couple of Summers ago, but in June, 2010, I did a cover story on the subject of **TRUST** in our industry. In fact, the cover image was simply the word: **TRUST**. In that issue, I argued that our industry's entire future is predicated upon us becoming trusted by the American consumer. *Trusted* to be professionals who know what to do to help them physically and *trusted* to be business organizations that American consumers can turn to. People who are professional in their industry business practices and who do not utilize the 'old ways' of operating many of us have been exposed to in the past: *bait and switch advertising; high pressure, join-today-or-else close on membership sales; and shutting down and leaving in the middle of the night, without making membership arrangements for the members of the closing club before departing. In truth, TRUST is the future of our industry.*

• • •

One Class Act, Jeff Skeen, is a true credit to our industry! I'm very happy to have been able to share his experience and knowledge with all of you.

I'd like to thank Jeff Skeen for his time for the interview and his time used for the preparation and pre-publication review of his cover story, as well as his assistance with the photos. I'd also like to thank Kirk Galiani for his time on the phone sharing his memories as a high school friend of Jeff and how Jeff became involved in the Galiani brothers' takeover of Gold's Gym parent company years ago.

(Norm Cates, Jr. is a 38-year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of CLUB INSIDER and is now finishing his 19th year of publication this month. Cates may be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)

Kirk Galiani Comments on Jeff Skeen

Having learned in our interview that Jeff Skeen had gone to High School in McLean, Virginia with Kirk and John Galiani and Bruce Ebel, we reached out to Kirk for his comments about Jeff.

CLUB INSIDER (C.I.) - Kirk, first I want to say thanks for your phone time today. What gave you the idea to invite Jeff to join you as you and John were launching your first Gold's Gym?

Kirk Galiani (KG) - Looking back on bringing Jeff Skeen onto our team always puts a smile on my face. We had so many great times. At the time, my brother and I had a very successful club that we had opened, and it was doing very, very well. We were looking to open more clubs in the area and were in the process of an acquisition, so we felt we needed to bolster our team. Jeff was someone we had gone to high school with and were very familiar with, so we felt he would be a great addition to our company. At the same time, Jeff happened to be looking for a career change, so we began talking about bringing him on. We had previously brought on two other high school friends, Will Bowen and Eddie Dail, and we were comfortable with the arrangement and with people we know we can trust. We always felt, and continued to feel, that your company will always be better if you surround yourself with quality people. Jeff has a strong character, and he's extremely hardworking and analytical. For these reasons, we knew that Jeff was a person who could help us grow and would be a good fit for our team.

Soon after, we brought on Bruce Ebel to open our club in Arlington, VA, which continued our trend of hiring Langley high school friends. Bruce had great entrepreneurial instincts and was instrumental to our growth over the years. Because we felt so comfortable working with friends that we knew and trusted, we continued dipping into the available pool of highly qualified friends from Langley High School. Norm, to give you an idea of the extent of this trend, some of the people from Langley High School we have worked with include not only Will, Eddie, Jeff and Bruce, but also Doug Berlin, Jack and Juan Poso Olano, Duane Lawson, Charlie Romero, Kenny Thring, John Link, Ben Venuto and Rob Huffstutler and other friends not from Langley, such as Dal Clayton, Sean Ratliff, Claude Lawson, Mike Krongard, Casey Cope and John Custard. They have all made great contributions to our company, and many have gone ahead to be very successful in the health and fitness industry or other outside businesses. Our philosophy has always been that, if you surround yourself with good people, you're going to be successful, and all these people certainly fit that criteria.

I'm very proud to have had Jeff on our team and to see what he and his team at Titan have been able to accomplish since then. Jeff has also adhered to the philosophy of surrounding himself with a lot of talented, good people at Titan Fitness. Obviously, he was a very big part of our team, and it's nice to see him go on and accomplish great things.

C.I. - That was a great thing for both parties. Speaking of your North Carolina Gold's Gyms, in 2005, I had the pleasure of visiting a couple of your Gold's Gyms in Raleigh, North Carolina. They were nothing short of magnificent, and I say that as someone who's probably seen 3,000 or more clubs in my nearing 40-year industry career by now. So, I have something to compare them to.

That was the same time I stopped by some of those Peak Fitness Clubs in Raleigh that were owned by that guy, Jeff Stec, who just this year got busted by the North Carolina Attorney General and prohibited from being involved in the health club business in any way for 12 years. Talk about nasty clubs; he had some really bad ones. There was a 1,000% difference between your clubs and his.

KG - You know Norm, there are a lot of people that have done wonderful things in this industry and help people achieve their fitness goals and change their lives for the better each and every day. I don't know the particulars of that case, but it's unfortunate when club operators neglect their clubs and their members or take advantage of people. It makes the entire industry look bad and as though we're just out to make a quick buck. You do every good operator justice by bringing attention to the people that don't respect the values of this industry, and it also helps when you bring attention to the people that are doing great things.

C.I. - Thanks for taking some time out of your busy schedule opening three new One Life Clubs at about the same time.

KG - Norm, you have done an incredible job over the years of helping bring attention to the best and worst practices in this industry. You're awesome, and you're the only one in the industry that 'Tells-it-like-it-is.' You always have, and we could all use more guys like you. Thank you for all you've done.

C.I. - Thanks again, Kirk.

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What Your Club Can Learn From a Grocery Store

By: Will Phillips

Recently, an REX Roundtable visited one of Wegman's grocery stores for several hours. You may ask, "What does a grocery store have to do with a health club?" This article will help you understand the power of learning from outside your industry.

Several decades ago, when the concept of Best Practices was formulated, a key principle was that Best Practices for all the things your business should be practicing will rarely all be found within your industry. Early on in the Best Practice management movement, Xerox realized it had a significant number of complaints from customers ordering parts for their copy machines. It made a commitment that their Parts Division should operate at a Best Practice level of customer service. To achieve this, they researched many industries to find out who had the highest ratings for catalogue customer service. Remember, this was pre-internet.

It turns out that L. L. Bean, the outdoor and clothing supplier, had the highest level of customer ratings for catalogue service year after year after year. Xerox arranged to have a dozen or two of their staff spend a significant amount of time at L. L. Bean learning how they served their customers. On returning to Xerox, they brought several hundred new ideas and basic principles, all things they had not thought of or had discarded. These new ideas enabled Xerox to create a Best Practice Parts Department.

Youngme Moon, the most exciting marketing professor at the Harvard Business School, and author of the book *DIFFERENT*, laments that industries invariably flock-up. People within an industry tend to read all the same publications, go to the same conferences and share the same basic assumptions and principles on running and improving their businesses. Over time, everybody is copying everybody, doing the same thing and the best are simply doing it a little bit better.

By getting outside of your industry, you break through your flock-up tendencies. You see new, different and

effective ways to run a superior business. Her view of flocking-up within an industry is substantiated by the consistently regular experience that real breakthroughs rarely come within the industry but frequently from outside the industry. Thus, typewriter companies did not develop word processing, nor did propeller-driven airplane manufacturers create jet engines.

Strategy vs. Operations

One of the challenges for all club operators is being so fully engaged in managing the operations of their clubs that it is extremely difficult to step back and develop strategy. Strategy, being a big picture, long range of a critical challenge facing your business and how to successfully address it. In 1969, Danny Wegman was an economics major at Harvard University. His senior research project focused on analyzing America's fastest growing retail sector at the time, the mega discount store. Category killers like Toys 'R' Us were just beginning to appear, and a new regional chain by the name of Walmart had just made its initial stock offering. At the end of his research paper, Danny Wegman pointed out the extraordinary threat he foresaw when such discounters went into the grocery business. Wegman was personally concerned as his family ran a small chain of grocery stores in Upper New York State. In 1988, Walmart jumped into groceries, and Wegman was fully prepared to compete with a low-price discounter.

Wegman's has now expanded throughout the Northeast with over 80 stores. Here are the basics that should get your attention about this store:

1. They figured out how to compete with Walmart before Walmart even started competing with them.
2. Its operating margins are double what the largest grocery chains earn and much larger than those of Whole Foods. Their sales per square foot run close to \$14, while the industry average is closer to \$10.

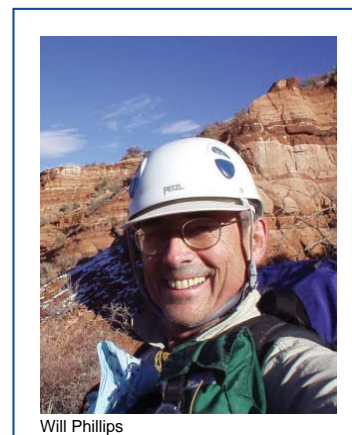
3. Every year, Wegman's receives 7,000 to 10,000 letters from consumers who live where there is no Wegman's store, begging the company to move to their area.

To make all of this happen, you must be doing some extraordinary things in the retail market, and Wegman's has been doing this store after store, year after year. It's not a short term or non scalable result.

I will guarantee that, if you and your staff take a few hours to visit a Wegman's store near you and talk and tour with their staff, you can learn things that will improve your competitive position and your club's performance. To prepare for that visit, purchase the book, *Demand*, by Adrian Slywotzky. The author is often described as being a modern day Peter Drucker. He devotes a whole section to Wegman's because of their magnetic attraction for customers. What is so interesting is that they create this magnetic attraction with a set of products you can buy in a dozen different places in your home town, yet many, many customers prefer Wegman's and drive out of their way to regularly shop there. It is as if a magnet is attracting them. Understanding this magnetism is what a visit to Wegman's is all about.

First of all, they have learned how to create an emotional connection with any product, whether it's beans or ketchup. They realize it's not the product that makes the difference, just like it's not the treadmill that makes the difference in our club world. They have also figured out how to serve a very high-end market and a very low-end market simultaneously in the same facility. Wegman's Specialty Departments such as: Meat, Fish, Cheese, Wine, and Mushrooms are staffed by world-class experts who are passionate and extremely knowledgeable foodies. Wegman's carries 300 varieties of cheese, for instance, and the Cheese Specialists in each store have spent a significant amount of time touring cheese production in the United States and Europe so they can speak in depth. In addition, every employee engages you, the customer.

In our visit to a Wegman's, we chatted for 10 - 15 minutes with a number of these department heads who were all spectacular. They were totally passionate about their specialty food, deeply engaging and made you feel comfortable so you wanted to continue to talk and get to know these folks better. Many world-class chefs have left their restaurants to come to work in Wegman's because Wegman's not only serves the raw materials for meals, it serves the meals. Many of their grocery stores have up to 300-seat restaurants. You can walk in and buy a full meal, or you can start walking backwards and pick up the



Will Phillips

recipes and all the ingredients for creating that meal. The meals will change on a regular basis with seasonal themes. Top chefs who work there say they have much more room for creativity at Wegman's than they ever had in their restaurant. Many of their fellow chef friends can't wait to move to a Wegman's. You can walk through an extremely high-end grocery store full of experts who can help you choose, decide and create, then walk through the grocery aisles of standard items at extremely attractive prices.

When Wegman's was moving into one community, they held a number of open meetings to talk to the consumers and local politicians about what their new store would be like. One department head reported that, in a meeting, he could recognize representatives from all the competing grocery stores, including Walmart. One of them asked a question, "Well, how will you be different from the regular grocery stores in our community?" and he said, "We'll be the lowest priced in the community." When the Walmart representative heard that, he blanched. In fact, during the 2008 recession, Walmart decided that it should proactively reduce prices on hundreds of staple items in order to ease the burden of food shopping for cash strapped families. It was the equivalent of \$12 million dollars worth of discounts.

Here, we have behavior very similar to the USAA Insurance Company, which has been one of the most profitable insurance companies in the United States. They do this by truly caring about the customers. They do this so well that they have no sales force. It is all referrals from current customers. Here is an example. During the Gulf War, they realized that many of the military personnel they insured were husband and wife teams who had insured two cars with USAA. Without asking any of their customers, they found out which of their clients was overseas, and if a family insured two cars, they cut the

(See Will Phillips Page 20)

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ABC Financial Releases Software Enhancements

LITTLE ROCK, AR - ABC Financial, one of the leading software and payment processing providers to the health and fitness industry, announced new software enhancements.

“ABC prides itself on being the industry leader in software technology to the health and fitness industry. Our clients deserve the best and the latest in software functionality, and that is what ABC Financial provides. These enhancements further solidify that position,” said Steve Ayers, Chief Revenue Officer.

Software updates include:

1. Accelerated Services - Allows members to purchase a block of sessions or classes, make an initial down payment and split the package over several months. Additionally, clients can purchase sessions that can be used all at once or over time.

2. Employee Portal - Allows trainers, instructors and service providers the ability to view and manage their own schedule while at home or away from the club.

3. Wait List - Allows clubs to ensure their classes are at full utilization by automatically creating a wait list of pending members interested in joining. If space opens up due to a cancellation, an email is automatically sent to members alerting them to the opening.

4. MyiCLUBonline iPhone App - Allows members the ability to perform functions associated with their club activities. This can include booking and canceling appointments, viewing personal training appointments, class schedules and also allows members the ability to check-in to the club using their iPhone or Apple device.

5. Upgraded CRS Reporting - Features a cleaner look with new reports, report queues, enhanced reporting formats, better Favorites management and mobile access.

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...Will Phillips

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insurance premium in half as long as one client was overseas. When things like that happen regularly, as they do at USAA, and Wegman's, you create a magnetic company, ones that require very little marketing or sales because your customers do this for you.

Adrian Slywotzky identifies a series of principles which he sees, not only in Wegman's or USAA, but in other businesses that create magnetic demand. **Wegman's first principle** is a strong reluctance to follow the mainstream in their industry. One of their mantras is to find out what everybody is doing, then do something that no one else is doing, which offers the customer a choice that they don't have at the moment. To this day, Wegman's continues to do the opposite of what their rivals are doing.

The second principle is to reduce or eliminate all the hassles that make most products and services inconvenient, costly, unpleasant and frustrating. In the Club industry, a new player in Boston, GYMIT, has done this by creating a totally hassle-free membership and joining process. They receive top ratings on Yelp and other consumer comment pages because it is so easy to join and so easy to quit. Having

recently looked at their financials at a REX Roundtable, they are stunning and they've eliminated the hassle. Wegman's eliminates hassles by creating more checkout lines than the largest supermarket you ever been in. Frequently, people will checkout faster than they can in a convenience store. They also monitor items scanned per minute, for each cash register on each shift and post them. The checkout staff regularly competes to reduce the hassle of waiting. Most stores featured a chaperoned kids room where youngsters can play while mom or dad shops.

Systematic hassle reduction in your club will not only make you more appealing, but it will require you to truly take on the customer's viewpoint. It makes things, at times, less convenient for you and your staff, but more convenient for your customer. My estimate is that there is not a single club in the world in which you could not find at least 100 hassles in a day long visit.

Chairing REX Roundtables means that our REX Chairs are in hundreds of hotel rooms. In every roundtable room that is set up, for say 15 members, we have electrical extensions for members to plug in their laptops or charge their cell phones; 99.9% of the time, those outlets are all wired together in the center and on the floor in front of our meeting tables. Every

meeting I laugh as I see 40, 50, and 60-year old club owners scuttling underneath the tables to plug in. In only one hotel was I pleased and surprised to walk in and see that these extension bars affixed to the top of the tables so you could plug in without crawling all over the floor. That's what hassle reduction is all about. The other day in my health club, I took a shower and went over to the scale. Being modest, I was wearing a towel. As I stepped on the scale, I did not want to wear the towel. I looked for a hook. My only option was to drop my towel on the floor. Hassle. I wondered about how a \$100 a month club, a club that has been in business for decades, could miss this.

I hope this gets you started on reducing hassles in your club.

The third principle is a unique set of policies for recruiting, training, compensating and retaining employees. The net result is the most dedicated, best educated, most highly motivated team of any supermarket, anywhere in the world, and you feel it when you walk through a Wegman's Store.

The fourth principle is having the guts to truly listen to customers and be responsive to what they're saying, as opposed to defensive and saying, "It's too costly or inefficient." Wegman's sets up an online shopping tool to keep track of a

customer's personal shopping lists so they won't forget things. They learned how to use this to collect feedback from all of their customers, which has led to significant improvements every week at Wegman's.

All this begins to develop your uniqueness. **The fifth principle** is to protect it. This means growing slowly. Wegman's will only add one to two stores a year, even though demand would allow faster growth. The reason is they want each store to go forward with the power and strength of every other store. When Wegman's opens a new site, dozens of staffers fly in for 6- to 8-week assignments to get the new store off, so it's operating just like every other Wegman's.

I encourage you to begin breakout thinking by visiting the businesses outside of your industry. Wegman's is a good start. If there is not one near you, read *Small Giants*, by Bo Burlingham. He describes businesses across the US which are all worth a field trip.

(Will Phillips is the founder of Roundtables for Executive, REX, which serves 180 club executives around the world, in groups of 12 to 15 non-competing peers that meet regularly to improve the performance of their business and the quality of their life. Will can be reached at will@rexroundtables.com)

Cybox Promotes Women's Fitness, Raises Funds for Breast Cancer Research in 4th Annual Pink Ribbon Run

MEDWAY, MA - Cybox International, Inc. (NASDAQ: CYBI), a manufacturer of premium exercise equipment, proudly announced that it will hold its Fourth Annual Cybox Pink Ribbon Run throughout the month of October. The initiative is designed to promote breast cancer awareness and highlight the important role exercise plays in reducing the risks associated with breast cancer.

Cybox is partnering with fitness clubs and other organizations to install special-edition pink treadmills around the country. For each mile logged on every new qualifying pink Cybox treadmill during October, Cybox will donate 10 cents to the Breast Cancer Research Foundation. More than \$100,000 has been raised in the first three years of the Pink Ribbon Run with this year expected to surpass previous years. Fitness enthusiasts are embracing this initiative more than ever regionally, nationally and internationally, with new initiatives launched this year in Denmark and the U.K.

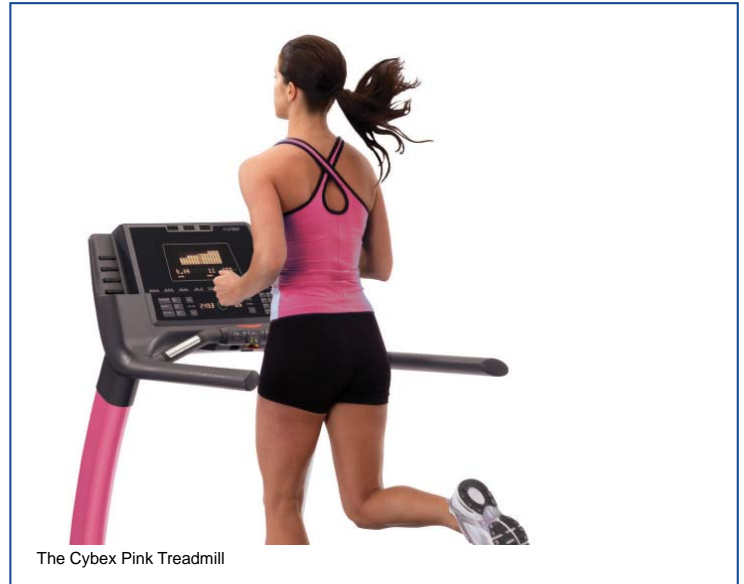
"More and more studies are illustrating how exercise can lower a woman's breast cancer risks," said Lisa

Juris, Vice President of Marketing for Cybox. "We're excited to work with our partners once again to raise awareness and funds to support women's health and wellness through the Pink Ribbon Run this October."

The facts regarding breast cancer are staggering:

- One out of every eight women will develop breast cancer.
- Breast cancer is the second leading cause of cancer death in women, after lung cancer.
- One out of 210 breast cancer cases occurs in women under the age of 40.

But, research has shown that fitness and exercise play a key role in reducing the risks associated with breast cancer. A study published in the journal, *Cancer*, in June 2012 found that women who engaged in 10 to 19 hours of exercise per week had about a 30% lower risk of developing breast cancer. Research conducted by the Hutchinson Cancer Research Center found that overweight or obese women who lose as little as 5% of



The Cybox Pink Treadmill

their body weight through diet and exercise may lower their breast cancer risk by 22%. Exercise is also important for women who already have breast cancer. The Yale

Exercise and Survivorship Study found that two to three hours of exercise per week resulted in a 40 - 67% reduced risk of death.

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Tuning Up Your Sales Team this Fall

By: Casey Conrad

As the leaves begin to fall across much of North America, clubs are returning to normal traffic patterns with both members and guests. Soon, the New Year will be upon us and the flood gates will open. This makes fall the perfect time to evaluate your sales team's performance

and sharpen your skills.

Although every step of the professional fitness sales process is important, as a trainer, I find that there are three critical areas in which salespeople tend to become lackadaisical: **qualifying, touring and referrals.**

Let's look at each area and outline the most important skills, strategies and

techniques that should be utilized.

Qualifying the buyer is the stage where a salesperson must establish a deep level of rapport with a prospect and attempt to have that individual open up and share why they want a health club membership. Since emotions, not logic, drive all purchases, this is a critical stage in the process. People don't buy stair climbers; they buy the dream of losing weight and feeling better. More importantly, they are driven by the emotion surrounding that physical goal. For example, they may want to lose weight because they feel unattractive or less confident. Of course, these emotional reasons are unique to each prospect, and it is the qualifying stage that the uncovering of their weight loss goals must first take place. Without this foundational information, the salesperson is only hoping to sell a membership.

The Tool for the Qualifying Process Is The Needs Analysis

The *tool* that is used for the qualifying process is the *Needs Analysis*. This is simply a sheet of 18 questions that are broken up into three categories: exercise history, goals and motivation, and potential roadblocks (what we call objections). The actual Needs Analysis sheet is simple enough; it is the process that goes awry for many salespeople. Here are some rules to follow so that doesn't happen:

- **NEVER** have the customer fill out the Needs Analysis sheet. It is a rapport building tool. The salesperson should be asking the questions and filling out the answers while talking with the prospect.

- **Do NOT** try and do the Needs Analysis while touring. The entire objective is to use it as a rapport building and informational gathering tool so that the tour can be customized and specific for meeting the needs and wants of the prospect. Sit down in a café area or semi-private space for 5 - 7 minutes before touring.

- **Follow** a sequence. Discussing exercise history should be the first line of questioning because it is most comfortable (and logical) for the customer. Goals and motivation flows from there, and this leaves potential roadblocks for the final section. By this point in the conversation, you should have enough rapport with the guest to be able to address these deeper questions.

- **Don't skip** the Needs Analysis! Many veteran salespeople get cocky and think they don't need to use the form or that they can ask the questions on the fly. Even if



Casey Conrad

that is true, it is totally missing the most important point; the Needs Analysis is just as much for the customer as it is for the salesperson. By skipping it, or trying to integrate it into the tour, the customer may never get comfortable.

Touring is the favorite part of the sales process for most salespeople. Let's face it, bringing someone around and showing them all the cool and new things the club has is interesting and fun. The sad reality is that the tour is where most sales are lost because the salesperson gets so involved in a "show and tell" process that the customer-focus is lost. When this happens, it is referred to as a "Disney Tour."

Imagine you are on a tram at Disney. The conductor is bringing you around the park, pointing out all the stuff. You may even "ooh and ahh," but your brain is not being engaged to answer the question "Is this 'stuff' worth my paying money?" After having given no thought or consideration to the question, when the tour is over and you are asked to pay money, your brain naturally goes into the "I need to think about it mode."

The same principle holds true with fitness sales. The two objectives of a club tour are to show the customer that the facility can meet his or her needs and wants (that you discovered during qualifying) and to get small commitments. Show and tell won't accomplish these two objectives! Therefore, these guidelines should be followed:

- **Tours** should be customized for each prospect bringing him to his area of most interest first, even if that means passing other areas of the club first.

- **Salespeople** must discipline themselves to discuss very specific features and benefits of the club that are most important
(See Casey Conrad Page 23)

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...Casey Conrad

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to the prospect. Engage the prospect in conversation and get affirmations from the prospect that these services are going to meet his needs and wants.

•Salespeople should be listening twice as much as they are talking! Remember the phrase "The more *they* tell, the more you sell."

The Topic Is Referrals

Finally, there is the topic of **referrals**. Ask any salesperson and they will tell you that receiving a referral is the biggest compliment they can receive from a customer. Point of sale referrals is a topic that fuels lots of conversation, debate and controversy. Some salespeople feel as though they can't ask for a referral until the new member has had time to experience the club. My philosophy is always ask for referrals at the point of sale. There are several reasons for this, including these three:

Reason #1 - Having other friends or family as members of the club can provide a good support system for a new member.

Reason #2 - Some people like to justify

their purchase by having others join them.

Reason #3 - Why not!? The worst case scenario is that the new member tells you they don't want to give you any referrals at this time. What is most important is that you have introduced the new member to the club's guest policy and let him know that you would like his referrals. This creates a perfect opportunity for future referral conversations. When done correctly, with the customer's best interest at heart and no hard sales pressure, asking for point of sale referrals can turn one sale into potentially several. Here are some important points to remember:

•The club must have an established guest policy in place, including a real value on guest passes.

•Salespeople need to have all the appropriate tools for giving a good point of sale referral presentation. These include a referral form, special new member guest passes and a script to follow.

•**Follow-up is key.** With members who choose not to give names, salespeople need to have a system in place so they can follow up in 30 - 60 days.

Selling health club memberships certainly isn't rocket science, but there is

an art to the process. When salespeople use the right strategies, tools and techniques, and combine those skills with a true passion for helping others receive the benefits and privileges of regular exercise, they will have the perfect equation for success.

Take some time now, before the peak selling season, to evaluate the sales process at your club and how each of your team members is doing. If you inspect what you expect, your team's skills will develop, and membership numbers will rise.

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World Health Club's Edmonton Clubs Acquired

EDMONTON, CANADA - Franvest Capital Partners' portfolio company Edmonton Fitness Holdings Inc. (the "Company") announced that it, along with a group of Edmonton based co-investors, has acquired the Edmonton assets of World Health Club Inc. ("World Health"). The investment includes ten fitness clubs in the city of Edmonton and one under construction in Sherwood Park. The terms of the transaction were not disclosed.

As a result of the transaction, Edmonton Fitness Holdings operates ten fitness clubs under the World Health brand name. The Company provides health club services to approximately 35,000 members in Edmonton, offering fitness memberships and other ancillary services including

personal training and group fitness classes. The member value proposition is based on three key competitive drivers: value, convenience and loyalty. IFH will continue to operate the remaining World Health locations in Calgary.

David Hardy, President of Franvest, stated, "We are excited about the opportunity to acquire the World Health business in Edmonton. Edmonton is a unique market that rewards companies who bring a high corporate standard and sense of community to the city. We believe that by returning ownership and management to a group of Edmonton based individuals, we can leverage our community connections and local presence to benefit both the citizens of Edmonton and the business."

3 Things Managers Should Stop Doing And What To Do Instead...

By: Brenda Abdilla

Managing a team can be a tremendous amount of pressure. Face it, if most managers and leaders knew how much pressure it would be to manage others while still getting results, they may not have taken the job. But, the challenges, lessons and successes that come from finding ways to get other people to produce results come with positive benefits that cannot be found anywhere else, so we continue managing others, impacting lives and looking for the answers and strategies that will make the job easier.

Sometimes, managers with the very best of intentions can inadvertently make life harder for themselves through habits that they may not be aware of or that they may even think are beneficial. Most managers are unaware of the impact that the following three things can have on their team, and ultimately, on their success in the role.

1. Stop Scaring People!

I worked with a manager who would worry *out loud* every few weeks about whether the company was going to continue to get funding from the investors. While this concern was actually relevant, he often made the mistake of sharing this information with the team. He thought the "reality check" would motivate them to hit their numbers so that they could indeed survive and get continued funding from the investors. Unfortunately, his tactic created exactly the opposite effect. Many members of the team thought he was implying that they should be looking for new jobs, so they spent work time searching for jobs online, causing their numbers to get worse over time, not better. The manager had convinced himself that, because he was being "truthful," his actions were acceptable, when really, he was just panicking and trying to relieve his own stress, yet causing himself more stress in the end.

Another way that managers inadvertently scare people is by casually mentioning changes coming down the line or by voicing doubt about people in foundational positions in the company. Seemingly innocuous comments like, "It would have been helpful if they hired a VP who knew something about our industry," or, "Once the corporate office moves, we will be on our own to try and figure this stuff out," can give people a sense of uncertainty and discomfort about things they have absolutely no way of controlling or even impacting.

What to do instead: Be conscious about what information you want to share and why you're sharing it. Managers have access to information that should not be disclosed to their teams even partially. It is important to remember that anything and everything a person in a power position says may be amplified, depending on the listener. As a manager, you should find appropriate people to vent with about your stress, discuss your uncertainties with and even to gossip with, but under no circumstances should any of these people be on your team.

2. Stop Trying to Appear Perfect!

Whether you manage a team of employees, supervise your children or other family members, or lead a board of directors or a committee, you probably could use a little more respect. When a manager is respected, things happen faster and easier, and people will work harder than they might have if they did not respect the boss. In the quest for respect, many managers think they have to be perfect, or at least *appear* to be perfect. But actually, the opposite is true.

There are two very important reasons why managers should admit it when they miss the boat, forget something, miscalculate, experience an epic failure or otherwise screw up. The first reason why it is good to admit that you are flawed (a.k.a. human!) is that it makes others feel okay with being human themselves. Think about the social response to people we see as flawed in today's pop culture. We tend to forgive flaws and harshly judge those who try to hide their mistakes (think Charlie Sheen or Alec Baldwin as opposed to former Senator John Edwards or Lindsay Lohan). The second reason why admitting to mistakes might work in a manager's favor is because people as a whole tend to have very highly developed brains that let them know when something is not quite right. If someone tries to hide his mistake, although the team may not consciously realize that the boss is covering something up, they may get a funny little feeling that creates a tiny bit of mistrust, and mistrust cannot ever lead to respect.

What to do instead: If you really want respect, admit your mistake quickly and then drop it. Trying to hide your humanity by covering up your mistake or blaming someone else is never a good idea, regardless of how embarrassed you may be. Managers are human, too. It's okay to make a mistake or not know something. Over time, this will build trust, which leads

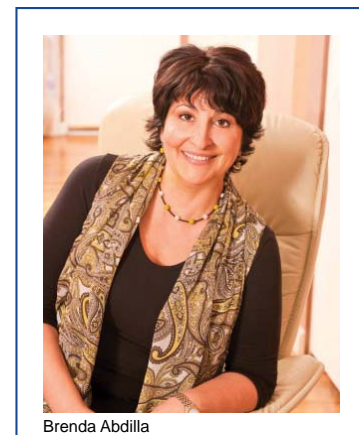
to respect faster than any other quality.

3. Stop Pushing So Hard!

Have you ever heard that saying, "the beatings will continue until morale improves?" Sure, it is funny, but it is also reflective of a management habit that pervades our often stress-filled, numbers-focused business world. We really, really need the team to hit those targets, and when they don't, it brings out the worst in us. We keep pushing and pushing until they push back, and it can become a mess. If pushing was what they needed, then it would be working. If you are pushing, and it is not effective, it's time to try something different.

One of the most frustrating things about being a manager is that the success of the manager depends almost completely upon the performance of others. This is where leadership comes into play. Sometimes this frustration can give way to tyranny as a leadership style. A tyrant can get results for a while (think of Napoleon, Hitler, Henry VIII), but eventually, the troops rebel, and that is never a pretty scene.

What to do instead: Set aside your frustration while brainstorming individually with each team member and identifying ways for them to focus on fewer areas overall, but with much more intensity. Then help them do just that. In business coaching, I call this the "pick three" strategy. Set aside your stress and pressure for awhile, and instead, sit down one-on-one with each member of your team and ask them this: *If between now and the end of the year (month/quarter) you were to focus your energies on the three most productive, revenue-producing tasks you*



Brenda Abdilla

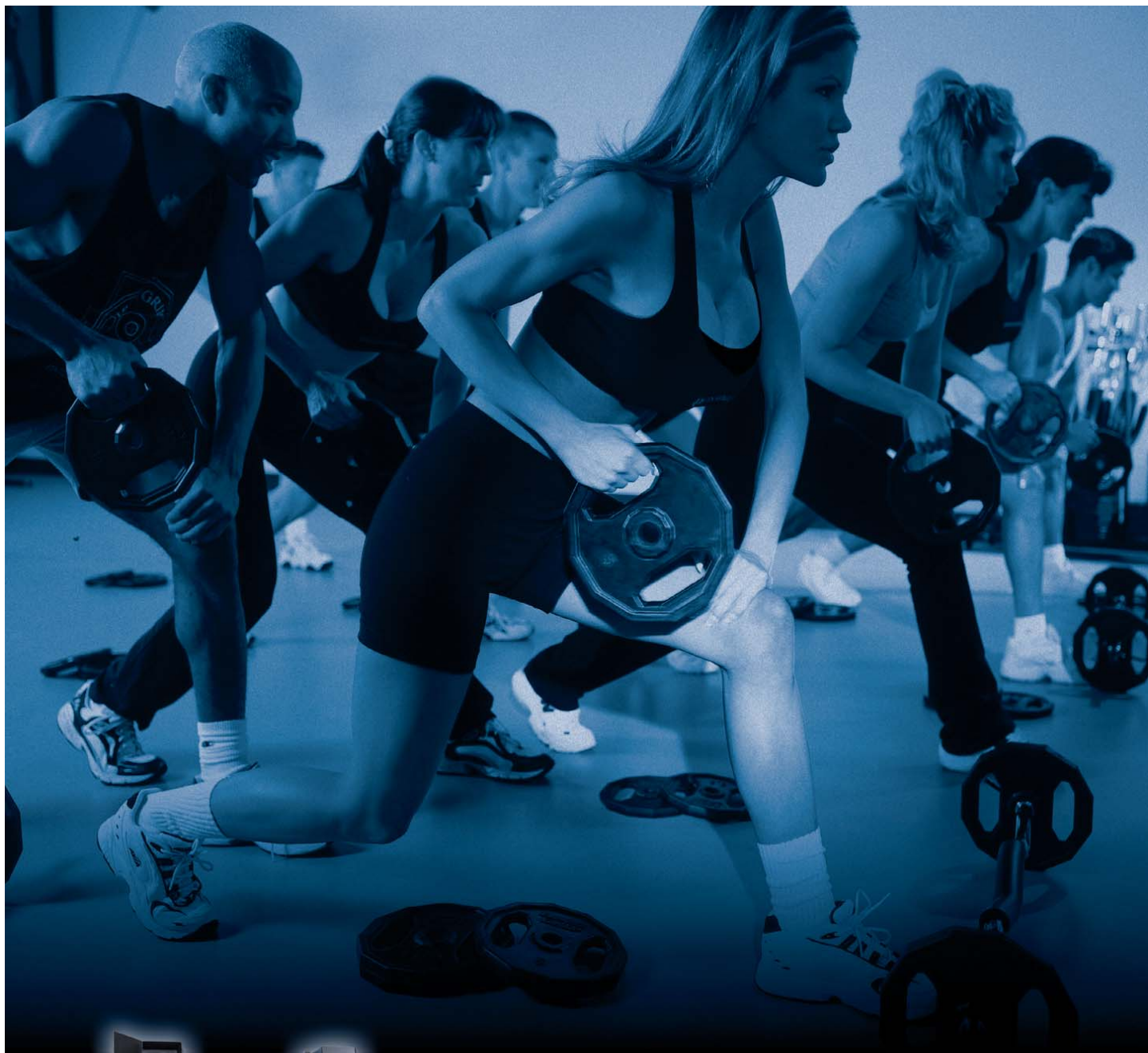
could perform, what would those tasks be? They might say something like, "referrals from the new account I just closed; loading my pipeline for the fall installments I'll need in order to hit my numbers; and attacking the client list that Eli left when he got promoted." Really listen to what they are saying, then ask the team member what obstacles they need help removing so that they can focus almost exclusively on those three tasks. Make a plan together and agree to meet regularly to check in. Do this with every team member, having them each come up with their own three tasks, and don't forget: Do your own "pick three" while you are at it! (Brenda Abdilla is passionate about momentum. She likes results-oriented action so much she founded her company on the principle of moving people and organizations forward. She is the author of two books about getting results at work with a third book underway. Sign up for her free newsletter and inquire about hiring Brenda's Management Momentum at www.ManagementMomentum.net.)

Get Feedback On Your Management Approach

Managers can benefit tremendously from soliciting feedback about their department, which will, in turn, elicit information about the style and effectiveness of leadership. Feedback can range from informal answers to questions, like the samples below, to formal feedback using a 360 profile, where you collect anonymous feedback from your team and others who interact with you at work. If handled properly, a 360 evaluation can be very insightful.

In the absence of a formal system, managers can host a meeting with an open forum or create a written form asking for feedback. Here are some sample questions below, but of course, the most important advice is to actually BE OPEN to what your team has to say.

1. How might communication be improved on our team?
2. In what areas could you use more support in doing your job?
3. What career development goals do you have within this organization?
4. What ideas and solutions do you have that might help our team succeed?



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IRON GRIP®
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A Legacy of Healthy Wealth

By: Donna Krech

Part III

Publisher's Note: You can find Parts I and II of this article series in the CLUB INSIDER Archives online by going to www.clubinsideronline.com/archives.

This is Part III of a 3-part series in which I shared my experience and learning from my Mom who passed away last Summer. Mom was a Stanley Home Products Representative for over 50 years, and I learned a great deal about business from her over the years.

Implementing the content of this 3-part series will produce an increase in your business and your money. The *bonus* is that it will also bring greater happiness and purpose to your life. Financial success and greater happiness together bring Healthy Wealth. Teaching you how to make more money in your club is great, but that is incomplete because business is only one part of you. You are also a physical, relational and spiritual human being. This article speaks to both pieces: business and life.

My mom passed away on July 15th, and I realized as I wrote her obituary that I needed to share the success secrets she'd given me over many years. These secrets took me from being a penniless, abused mom working in a health club to owning a company with 125 locations providing weight loss and wellness.

Do you want to know how to build Healthy Wealth? Part I of this series spoke of *secrets to business success*. Part II spoke to *building greater happiness*. This article shares the keys to having a peaceful, purpose-led life.

Over the last year, a group of family and caregivers took care of my mom in her home 24/7. When new caregivers, home health care workers or hospice providers would visit, she would say, "Thank You," for every single little thing they did. She probably said "Thank You" 200 times a day because she thanked us for everything. She'd done this her entire life. The new folks were usually moved to tears by her "Thank Yous," as we were, even though we knew her to be the most grateful person we'd ever known. Even in her weak and very sick state, she thought of the other person.

This was a lesson my mom taught me: "SAY THANK YOU!" Gratitude holds a miraculous power within it. The person receiving thanks sees the authenticity in it and desires to do more for the one offering it. The one offering it eliminates anxiety, depression and worry when

giving it. Praising others and pity parties don't co-exist.

Mom taught everyone around her about sowing and reaping. She taught us that you love someone no matter what. She taught us that, if you hurt someone, you ask for forgiveness. Will they always forgive you, or see the wrong they did? Not necessarily. But, she taught that you make it right whether they do or not. She never had an unforgiving moment in her life. She knew a lack of forgiveness would rob her of joy.

Mom taught us to: "FORGIVE AND ASK FOR FORGIVENESS." She taught us that holding a grudge against someone is like drinking poison and waiting for the other person to die. She taught us that love is supposed to be at the center of ALL of our words, thoughts and deeds. You may say, "But Donna, you said she was successful. Love and production don't match. How can that be?" She taught me that, when you truly love someone, you help them be productive. She taught me that love is the best producer of all.

Mom taught us that: "OUR WORDS, THOUGHTS AND DEEDS PRODUCE OUR REALITY." We become what we think and speak. When we're in it for the other person, we show them how to succeed and help them become all they're capable of becoming."

Mom was full of wisdom. When I asked her how she'd gotten through so much pain in her life and so much hurt, she told me the key was to always stay busy. She said, "An idle mind is the devil's playground and idle hands are the devil's workshop. I was able to keep going because I always kept busy."

Her outlook and perspective on life and her words were never anything but positive. Regardless of how bad she felt, she always said, "I'm doin' pretty good." She taught those around her that the words we speak out loud reflect what our faith believes.

Mom taught us to: STAY BUSY, SPEAK POSITIVE. Over-thinking accompanies idle time, and that can result in worry and fear. Find the good in everything. It's there. Then, speak it out loud to as many people as you can.

Regarding church, she knew we are The Church. She wasn't just active in every church she'd ever belonged to (that was a given with Jetta Leonard), she was active in her walk with the Lord.

When she was an 8-year old little girl, she went outside to tell her daddy

that dinner was ready. She found him dead in the driveway. He'd had a stroke. The Great Depression began at the same time. She and her mother had to move out of their home and live in rooms in other peoples' homes. As they were packing to leave their home, the song *God Will Take Care of You* came on the radio. Her mother told her, "Jetta Faye, that song is for us. We're going to be okay. God is going to take care of us." She told me that story hundreds of times.

Near the end of her life here, as she lay sleeping and very weak, we found that song and lifted the phone to her ear. It stopped abruptly near the end and her eyes popped open. She heard it! As I watched this unfold, I just wept at how good God is. The same song that promised her over her entire lifetime that God would take care of her, gave that same promise yet again. It promises that same comfort for you and I even now. God will take care of us.

Mom taught us to: HAVE FAITH. Faith is the substance of things hoped for, the evidence of things not seen. Fear prevents us from succeeding and faith can't coexist with it.

It goes without saying that she gave to multiple ministries and missions the entire duration of her life, and she was an encourager! If you stood at the door when she exited a Sunday service, you would regularly hear her say, "Pastor, that was the best sermon you've ever preached."

Mom taught us to: BE AN ENCOURAGER. What we say either builds up or tears down. Be a builder of people's dreams.

Having lived through more adversity than most of us can possibly comprehend, she always maintained the stance, "This too shall pass." She'd tell everyone, "The Lord takes care of us. All we need to do is just trust Him." Her new favorite song was Lynda Randle's version of *God On the Mountain*, sung with the Gaithers. The message was the same as her life's message. The God of the good times is still God in the bad times. The God that we praise when we're on the mountain is the one we should seek in the valley. He'll make a way, always.

Mom taught us that: THINGS ALWAYS WORK OUT, A WAY WILL BE MADE. Think about every difficulty you were sure was going to end your life, result in you losing everything or times you were completely falling apart. Those fears didn't become reality, did they? Everything ALWAYS works out. God's got this!

He made a way for her through



Donna Krech

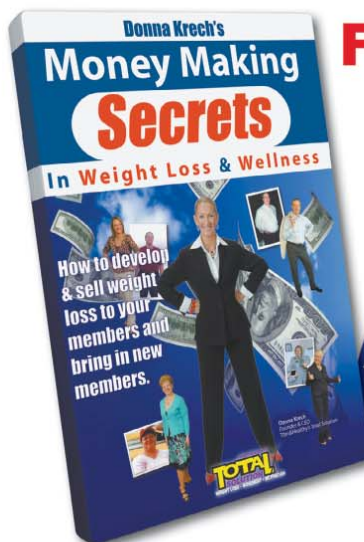
tuberculosis, cancers, lung problems and congestive heart failure. He made a way through tragic deaths and no income. He made a way through loss, heartbreak and disappointment. He even made a way for her in the valley of the shadow of death. In the last moments of her life here, she said, "Is this Sunday?" "Yes, it's Sunday." She then said, "I need to get ready to go to church." Those were the last words she ever spoke. It's this daughter's belief that God looked down from heaven and said, "Oh Miss Jetta, do I ever have a church for you to go to this Sunday! It will be a service unlike any you've ever attended. And the love, joy, peace and worship you will experience will be unparalleled. Come, go to church with Me."

Her life was a witness for Christ with every breath she took. Even in death, without breath, the witness that God is real, as is His love, continues. It seems only perfect and fitting to end my time with you with the words she'd want me to end with. She'd want me to ask you, "Do you know Jesus? Have you made Him Lord of your life? Because He will take care of you."

(I am proud to be the baby girl of Jetta Leonard. Want to know more about building Healthy Wealth now? Please accept, as my gift to you, free training videos featuring none other than my mom. Visit www.youtube.com/DonnaKrech then click on Success Stories and look for Meet My Secret Weapon. SPECIAL THANKS to Norm Cates and CLUB INSIDER for sharing this article series. There is a heavy faith focus in this particular article, and some may not agree with it. Please know, I do not mean to offend anyone. I watched my mom succeed in both business and life. I have also done so myself, and I'm convinced these principles are what produced that success, happiness and peace. I certainly hope they are helpful to you in your life and your business. Blessings...)

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My name is Donna Krech and I developed my own ideas into 3 product lines that have helped millions of people make millions of dollars, shed millions of pounds and increase wellness around the globe. We were making money with wellness before "wellness" was even a word. One of our companies was even coined by Oprah's Oxygen Network producers as "the best kept secret in weight loss."

Because so many of the people I talk to in my speaking and consulting business have no idea what's really involved, or that its even possible, I recorded a 60 minute CD that I will give to you for free when you pay the shipping and handling cost. It has a lot of valuable content about developing and selling weight loss and wellness to your members, and it even tells you how to bring new members into your doors. You will learn things like:

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Grow Group Fitness With 5 Easy Metrics

By: Laurie Cingle

In facilities that offer group fitness to members, it is one of the most important departments from a retention and new member acquisition perspective. Based on two important industry facts: 1) retention is a consequence of facility usage, and 2) 60% of people rate Group Fitness classes

as the most important factor for choosing to join a fitness center*. It is recommended for facilities to have a well thought out plan for consistently growing their group fitness program by growing attendance to classes.

Set Goals for Attendance Growth

Before you can set a growth

goal for where you want your group fitness attendance to be, you will need to determine where your program stands today versus your program's potential.

There are **4 things to do**:

1. Count numbers in every class. Group fitness attendance counts are typically kept manually. Avoid "filing" the class count sheets in a folder in a drawer by instead recording your weekly and monthly group fitness attendance on an Excel spreadsheet or using software designed to track group fitness numbers. This way, you can easily compare trends and track growth. For example, 500 attendances per week.

2. Calculate your current schedule's maximum attendance potential. Multiply the number of classes you are currently offering by the maximum number of people each studio can accommodate. For example, 50 classes a week times 40 person studio capacity equals 2,000 potential attendances per week (vs. 500 current).

3. Choose your attendance growth goals based on #1 and #2. Consider all factors. For example, in three years time, a realistic goal might be 1,500 attendances per week. In one year, a goal of 750 attendances per week might be attainable.

4. Set individual class targets for and/or with instructors. Break down this weekly target from #3 into individual class targets. Doing this shows how each instructor and class contributes to the weekly group fitness attendance goal you have set. For example, in the next 90 days, grow the 9:30AM Step class from current average attendance of 10 people to 14 people.

When you know your current program performance, your potential performance and your target for growth, you can measure your performance.

Five Easy Metrics

Analyze the attendance data and measure your program's performance by creating a monthly group fitness scorecard using these 5 metrics:

1. Weekly Group Fitness attendance recorded on your class count spreadsheet.
2. % of overall facility visits delivered by group fitness. Divide the total monthly group fitness visits by the total number of facility visits (from your facility's check-in software). The industry average is between 10% and 15%. Your challenge; strive for 25% to 30% of total facility visits going to group fitness.

3. Average attendance per class.

4. Individual class performance:

A. Class ranking of Top 5 Classes and



Laurie Cingle

Bottom 5 Classes;

B. Optional: Cost-per-head per class (calculated by dividing the instructor's class rate by the average number of attendances for that class).

5. Program performance rankings - Top 5 Programs; Bottom 5 Programs.

For example, you may offer a program on your schedule called *Barbell* that is offered six times a week. For this metric, rank the performance of the program *Barbell* as a whole versus ranking each individual class offering.

Publish The Results For Your Instructors

A team can't play to win if they don't know the score. The best way to include your instructors in the process and challenge them to assist in growing the numbers is to share the information with them. Be sure to share it in a positive way and follow up individually with instructors whose numbers are lower than expectations to determine the reasons for lower attendance. It is not always the instructor's fault; attendance can be affected by the type of class, the day of the week, the time of the class, etc.

Set a Plan for Growth

Measuring data only has value if you use it to identify opportunities for growth and to make decisions. Each quarter, use the data to:

- Identify underperforming classes;
- Determine the cause for underperformance (the reasons can be numerous);
- Create an action plan for growth of Group Fitness attendances.

*A.C. Neilsen, IHRSA 2009 report.
 (Laurie Cingle can be reached at laurie@lauriecingle.com)

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Mission Possible: IHRSA 2013 International Convention & Trade Show Business Leading Headliners & Schedule of Events Announced!

BOSTON, MA - The International Health, Racquet & Sportsclub Association (IHRSA) has announced the schedule of events for IHRSA 2013, the Association's 32nd Annual International Convention & Trade Show, which begins on Tuesday morning, March 19, and concludes Friday afternoon, March 22. Mandalay Bay in Las Vegas, Nevada will host IHRSA 2013, where for the first time ever, the trade show, education sessions, general sessions and social events, as well as the restaurants and lodging will all be in one centralized location under one roof.

The IHRSA International Convention & Trade Show is recognized as the industry's premier annual gathering, consistently attracting thousands of industry professionals from more than 70 countries for four days of rich education and networking opportunities. The event is known throughout the global fitness industry for eye-opening general session presentations from the world's most sought-after business leaders, the most complete line-up of industry presenters, education on the topics that matter most to health club operators, the largest international "trade-only" show and an ever-increasing international attendance.

To ensure four full days of education and networking for the thousands of club operators and fitness professionals in attendance, the convention agenda begins early Tuesday morning with a full line up of education sessions and workshops and a not-to-be missed 11:30AM General Session to kick off the convention.

IHRSA is proud to announce that the following thought-leaders will speak at each day's General Session:

Tuesday, March 19 (11:30AM - 12:30PM): Bert Jacobs, Co-Founder and Chief Creative Optimist, Life is Good, "Optimism Can Take You Anywhere." Session sponsored by SPRI Products, Inc.

Wednesday, March 20 (8:30AM - 9:30AM): Nicholas Christakis, M.D., Ph.D., MPH, Author and Professor, Harvard University, "Connected: The Surprising Power of Our Social Networks and How they Shape Our Lives." Session sponsored by Technogym.

Thursday, March 21 (8:30AM - 9:30AM): Chip Conley, Author, and Founder, Joie de Vivre Hotels, "PEAK: How Great Companies Get Their Mojo From Maslow." Session sponsored by Matrix Fitness.

Friday, March 22 (11:30AM - 12:30PM):

Peter Sheahan, Author, and Founder and CEO, ChangeLabs, "FLIP: Creative Strategies for Turning Challenge into Opportunity, and Change into Competitive Advantage." Session sponsored by MYZONE.

For details on each General Session presenter, please visit www.ihrsa.org/general-sessions.

The International Trade Show

The IHRSA Trade Show, one of the most important events of the year for over 300 exhibiting companies, many of whom launch new products and services during the two-day show, is open to attendees on Wednesday, March 20 from 11AM to 6PM, and Thursday, March 21 from 11AM to 6PM. The high-energy early morning workout session on the trade show floor will be on Thursday from 6:30AM to 8:30AM, while the newest trends in exercise classes are provided to attendees on all four convention mornings.

Over 8,000 total buyers, 25% non-U.S. attendees from over 70 countries, are expected to walk the show and purchase millions of dollars worth of equipment and services over the two jam-packed days. For a current list of IHRSA 2013 exhibitors, please visit www.ihrsa.org/trade-show.

The International Convention: Education, Networking and Special Events

As the leader in industry education, the industry Association's flagship event features over 125 breakout sessions, over 15 exercise classes and more than 30 smaller workshops, roundtables, forums and tutorials. Session topics are organized into topic areas such as Leadership, Management and Operations, Membership Sales, Marketing, Customer Service and Retention, and Fitness and Personal Training. They are led by both a Who's Who from the Industry, as well as new and innovative inside and outside the industry business professionals.

On Friday, March 22nd, IHRSA will launch IGNITE, a fast-paced, educational concept where presenters will share their personal and professional insights on a host of wide-ranging topics in an informative and entertaining new format.

The variety of topics, speakers and session formats will ensure that, regardless of learning and networking style, attendees will have plenty of meaningful education options from which to choose. Continuing education credits (CECs) will be provided to eligible convention attendees by AFAA, ACE, The Cooper Institute, IFPA, NASM,



NCSF, AESTA, NFPT, NSCA and SCW.

Special Events

The annual IHRSA Convention would not be complete without the special events that industry veterans eagerly await all year long:

- The "Making Connections" Orientation to help attendees get acquainted with others to make the most of their convention (Tuesday, 7:00AM - 8:30AM);

- The 4th Annual Women's Leadership Conference and Luncheon, "Embracing Your Intelligence, Intuition and Ability to Inspire" (Tuesday, 12:30PM - 3:30PM);

- The 17th Annual IHRSA Financial Panel: An In-Depth Analysis on the Financial Growth of the Health Club Industry (Thursday, 9:45AM - 11:30AM);

- 8th Annual BASH for MDA's Augie's Quest which, in conjunction with the Muscular Dystrophy Association (MDA), is an aggressive, cure-driven effort, singularly focused on treatments and cures for amyotrophic lateral sclerosis (ALS, or Lou Gehrig's disease). (Thursday 6:00PM - 11:00PM) *Pre-Registration and Fee Required.* Visit www.augiesquest.org;

- Additional special events include the Tuesday evening Opening Reception, the Global Industry Leadership Summit (sponsored by SCI Software), Planet IHRSA International Attendee Reception (sponsored by Snap Fitness), The Zumbathon for Augie's Quest and the Public Policy Council Meeting.

- Also, IHRSA is accepting applications

for two of the industry awards that will be presented during the convention. IHRSA members are invited to apply for the **Julie Main Woman Leader Scholarship** or the **Outstanding Community Service Award** at www.ihrsa.org/awards. The deadline for entries is December 7, 2012.

Sponsors

IHRSA would like to thank all of the IHRSA 2013 Convention & Trade Show sponsors who make this one of a kind industry celebration possible. Current confirmed sponsors are Anytime Fitness, LLC., ASF International, Augies Quest, Chobani Fit, CSI Software, Cybex, Fiserv, Fitness Brasil, Fitness Business Canada, Fitness Industry Council of Canada, GOJO Industries, Inc., GP Industries, Gymaround.com, Healthy Learning, Helix Company, InTouch Technology Inc., iGo Figure Software, Intel Corporation, Leisure Industry Week (LIW), Life Fitness, Management Around Sports, Matrix Fitness, Mercado Fitness, Merrithew Health & Fitness, MINDBODY, Inc., Motionsoft, MYZONE, NASM - National Academy of Sports Medicine, Orangetheory Fitness, PILOXING, Parisi Speed School, Partnership Capital Growth, PFP Media, Polar Electro Inc., Power Plate, Power Systems, Inc., Precor Incorporated, RealRyder International, LLC, Savvier Fitness, Snap Fitness, SportsArt Fitness, SPRI Products Inc., StairMaster, Star Trac, Technogym, Total Gym, TRX, Twin Oaks Software, Visual Fitness Planner, Exercise Lab, and Zumba Fitness.

Additional information about IHRSA 2013, including special hotel rates, can be found at www.ihrsa.org/convention or by calling IHRSA at (800) 228 - 4772.

Make It Fun!

Scott Dennis Passes Away

Scott Dennis, 42, passed away on October 9, 2012. Scott is survived by his wife, Dawn; son, Max; daughter, Tatum; his parents, George and Shareld Dennis; and several brothers and sisters. Scott's Funeral was on October 12th in Wichita, Kansas.

Scott was a college football player, and after that, a strength coach. He joined Cybex in 1999 and then moved on to Precor in 2004. Larry Domingo was a major mentor for Scott in his early years

at Precor.

Scott covered several states in the Midwest including: Kansas, Missouri, Oklahoma, Nebraska and Arkansas, as well as portions of other states. His territory often produced more in sales than many of the A markets that you would consider much larger than Kansas and Oklahoma.

Scott started his own fitness distribution company, Fitness Resource Group (FSG), in 2010 carrying Precor and StairMaster. He was responsible for

both commercial and vertical market sales. His company quickly grew in the first two years adding staff and more office space.

Frank O'Rourke, a good friend of Scott, said, "Scott was a very dedicated sales rep, constantly traveling to meet customers. He had fun and was just one of those guys that people really liked. He was a team player. He will be missed by many."

May Scott Dennis Rest In Peace.



Scott Dennis; daughter, Tatum; and son, Max

Make It Fun!

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Thanks and Appreciation

We're excited at CLUB INSIDER because, if the **good Lord's willing**, we'll celebrate our **20th Anniversary** of this home-based health and fitness club trade newspaper in November, 2012. The thought that this newspaper was *founded to serve an industry I truly love*, and so that *I could become a Mister Mom for my son, Justin*, is still *intriguing and amazing* to us. But, before our Anniversary time arrives this fall, I wish to extend our most sincere **Thanks and Appreciation** to everyone that's made this amazing run possible.

A very sincere **Thanks and Appreciation** go to **Rick Caro, Dr. Gerry Faust** and the **Faust Executive Roundtable #1** for helping me decide in 1993 what my home-based business would be. **Thanks and Appreciation** to my long-time friends, **Ron Hudspeth** and **Cathy Miller** of **Atlanta's Hudspeth Report** for the tremendous assistance they provided us during *our first 8 years of publication*. **Thanks and Appreciation** to all of the folks at **Walton Press** in Monroe, Georgia. They've done an absolutely excellent job for us all these years and have printed every one of our **226** monthly editions! **Thanks and Appreciation** to all of our readers. Sincere **Thanks and Appreciation** to our **CLUB INSIDER Advertisers**, past and present, for their kind and dedicated support of this publication. It's amazing to know that we have several advertisers with over 15 years of continuous advertising with us. Plus, we have one advertiser, **National Gym Supply**, with over 18 years advertising with us and one, **Affiliated Acceptance Corporation**, with over 19 years as they have advertised in every single edition of CLUB INSIDER since the first month that we sold advertising in June, 1994. We also want to say sincere **Thanks and Appreciation** to all of our **CLUB INSIDER Contributing Authors**, past and present, who've contributed *hundreds and hundreds* of excellent articles to help our readers with their Best-Business-Practices. **Thanks and Appreciation** to IHRSA for all it does.

Sincere **Thanks and Appreciation** to my son, Justin, who started working part-time for CLUB INSIDER when he was just 8 years old (helping with mailings). This young man, pretty much behind the scenes for 20 years now, has truly been a fantastic partner for his Dad in CLUB INSIDER. Justin does our editing, publication layouts, all of our website design and maintenance, all of our bookkeeping and subscription processing work, as well as archive management and anything else that needs doing, including occasional writing for us. All of this is done part time at night and on weekends as he now has an additional full-time job in web development that keeps him busy 8 to 5 every weekday.

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 in fact, survive. He would like to give sincere **Thanks and Appreciation** to the power that made that survival happen: **God**.

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

Norm Cates, Jr.

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