

Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry



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Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry

Baptist Health/Milestone Wellness Center

Where You Matter Most

By: Justin Cates

Happy New Year! I hope your holidays were great and the New Year's rush is going even better. Let's dive right into the **January 2016 Edition of CLUB INSIDER**. This month, our cover story features a very interesting story out of Louisville, Kentucky: **Baptist Health/Milestone Wellness Center**, led by President **Diane Kelton**.

Just before Christmas, I had the opportunity to visit the 70,000 square-foot facility, and I saw and learned some very fascinating things. When writing cover stories, I usually try to bring across one or two key themes that truly defines the

subject being featured. This focuses the interviews and the writing of the story. It also allows the reader to rapidly learn the key points that should be taken away from a given story. This month, that will not be the case as Baptist Health/Milestone Wellness Center truly excels at three major components that, in and of themselves, would normally define a facility.

To that end, this month, you will also notice a slightly modified format for the cover story interview, as I had the opportunity to conduct a primary group interview with four key team members in a group discussion about key components that define their organization, followed up by several individual interviews.

In the first group format interview, you will hear from **Diane Kelton, President; Lisa Groft and Maria Bernard**, both *Personal Training Co-Directors*; and **Jeff Howard**, a nationally known trainer having appeared on CNN, ABC, The View and Oprah and who has been instrumental in developing many of Milestone's signature classes.

Following the group interview, **Priscilla DeSpain, Membership Concierge**, conducted one of the most extensive club tours I have experienced. I learned the ins and outs of the organization's philosophies and nuances one would only subconsciously pick up on unless told otherwise. But, as a whole, all of those



things make the difference at Milestone. Finally, following the tour, I (See *Baptist/Milestone Page 10*)

“Insider Speaks” When Two Worlds Collide

By: Thomas Plummer

Chaos brings opportunity, and the fitness industry is certainly operating in a chaotic mode as we go into 2016. Meaning, if there was ever a time to attack in this industry by anyone looking for growth opportunities, it would be this year.

Chaos can be defined for us as an end of one belief system and the beginning of a new era where, no matter what you think you know about the business, the rules have changed and everything you think you know is now horribly wrong.

On one side of the collision, we have the mainstream fitness world, locked into the rules of 1995 and struggling to find a new identity to stay competitive.

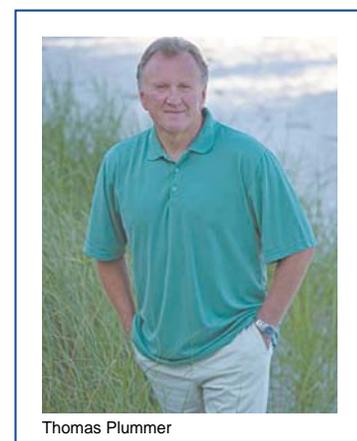
Everything we think we know in that world is failing. The \$39 price point is disappearing and is being replaced by the \$9 - \$19 players. The traditional way we market to consumers doesn't work any longer... illustrated by the end of almost all retro marketing tools, such as direct mail, newspaper ads, radio and cable television. And, most importantly, the client is becoming better educated and no longer will settle for what has passed as a fitness industry for the last 70 years.

On the other side of the collision, we have the training gyms. With respect to the lower end struggle, weirdly, it is just beginning to heat up, and the low-price players will find themselves in a total war this year. The original \$10 gyms have

always believed that price is their definer and that the \$10 barrier would protect this category, since no one would be crazy enough to go lower. Yet, not only are some crazy enough, their plan is perhaps that of a mad genius.

There are now gyms in the Northeast offering two-for-one memberships for \$10! The mad genius part is that no one cares about the number of people it takes to sell a \$10 membership. Getting the \$10 membership sold is the goal. And, it won't be long before it might be four people for \$10. Just crank out the \$10 memberships and don't care about the number of the people in the gym!

This is crazy, but is it crazy smart? (See “Insider Speaks” Page 6)



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Norm's Notes

•**Hello Everybody! This is your CLUB INSIDER Publisher and Tribal Leader Since 1993 checking in with our 265th monthly edition in our 23rd year of publication! A Happy and Healthy, NEW YEAR to you ALL! YAHOO!**

•**Is America a great country, or what!? Hmm... hmm... hmm!!!** Thanksgiving Day 2015 is behind us. But, how about today if we all give **special Thanks for being Americans!?** That **Thanks** really should include our collective recollection of the **important and amazing fact that, as citizens of The United States of America, we're in a very small 4% of the world population on Planet Earth!** Yeah, I *know*... I've mentioned this fact to y'all before in these Norm's Notes. And, no... **Mad Cow didn't make me forget that fact.** But, I just think that the *occasional recollection* and *thankful thought* about that very fact should **make us all happy and very proud!** Sure, we have a handful of CLUB INSIDER subscribers/readers in Canada, Mexico, Australia and Europe, and of course those folks live in great countries, as well. But, most of our readers are in the **good old USA!** So, **please join me in being Thankful today if you're an American... because we are truly blessed!**

•I've moved the following Norm's Note from our December "In Review" edition to our January edition. Each year, I do kind of a "Memorial" writing in which I

remember and acknowledge the great people we've lost in our industry during the past year. Here's a rundown of those we lost during 2015. In February, we lost **SONYA WILSON, RAY WILSON's** wife. And, also in February, we lost **KEITH ALBRIGHT, World Gym International Vice President of Client Development.** And, on **May 19, 2015,** we lost **BROTHER CURT BEUSMAN,** one of the greatest leaders our health and fitness club industry has ever known. Thank goodness there were not more losses in 2015! If I've somehow missed someone, if you will forward that information to me at Norm@clubinsideronline.com, I'll certainly share that news next month. **May all of our friends who've passed away all Rest In Peace!**

•**IHRSA 2016 in Orlando is right around the corner!** If you've not made your plans to attend yet, do so now because the **IHRSA Registration Discount Expires on January 25th** (Go to www.ihrsa.org/convention). **IHRSA's world-wide convention** has become the **single #1 most important GO TO event in our industry every year,** and if you're not attending, no matter what your position or expertise... **then you really, honestly are missing the boat. Don't miss the boat this year!** Also, be sure to visit the **CLUB INSIDER Advertisers** who are exhibiting. We urge you to do business with these great folks because they will treat you right and will take care of you.

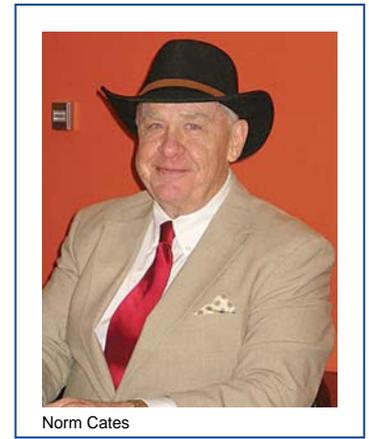
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Exhibit

•**RED LERILLE, 80,** born as **LLOYD LERILLE,** is a **New Orleans native** and the winner of numerous bodybuilding titles in his younger years, including **Mr. New Orleans in 1955, Mr. Armed Forces and Mr. Hawaii in 1958, Mr. Dixie in 1959 and AAU Mr. America, which he won in 1960. Red served our country in the United States Navy from 1955 - 1959, and I want to thank him for that.** And, he then graduated from the **University of Southwestern Louisiana (Now ULL) in 1987** with a bachelor of general studies. **Red's a Founding Member of IHRSA. He's also one of the Faust Executive Roundtable #1 Members who helped me dream up and establish and even finance CLUB INSIDER in 1993. Thanks to Red and everyone on the Roundtable #1 for that great work and help!**

On **January 13, 1963,** Red opened his health club in a storefront space of a former boot store in **Lafayette, Louisiana. CONGRATULATIONS to RED and his**



Norm Cates

wife, **EMMA,** and their **Family** on their **amazing 53-year run so far.** Check out the photo history of this fabulous establishment by going to www.redlerilles.com/history.html. During all these years, Red has done something that nobody in the history of this industry can match: **every month, for 53 years, Red has made at least ONE improvement to his fabulous, now over 200,000 square-foot club.** That's taken his mega-club to be a far cry from the 4,000 square-foot original Red's Club, and now, with 20+ acres of land at Red's, they continue to make additions and modifications that truly have established Red's as one of the greatest clubs in the world, not just the United States. **Red's serves 10,000 members in the** (See Norm's Notes Page 7)

About Club Insider

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...Thomas Plummer

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You hold the price but manipulate the number of members it takes to get that price. This is a new type of price war that will only affect the low-end competitors, who can now proudly advertise memberships in the \$2.50 per month range. But, in the long run, it will open up the market again for the mainstream people who can provide a full service facility, assuming it is designed competitively for 2016, in the \$19 - \$39 range.

On the other side, we have the rise of the training gym. Once relegated

to 1,200 square feet behind a plaza, the new generation training gym is 7,500 - 16,000 square feet, operates at a much lower expense and can function with only 10 - 15% of the membership needed to fill a mainstream box. But, it can also average over \$300 per month per client compared to a typical box that can't break \$30 in most markets. These gyms are, by the way, generating between \$1.2 - 2.0 million a year with a working pretax net of about 40%.

The new generation low-price gym is the small leak in the dike that everyone ignores for years, yet one day the dam bursts and the village is destroyed.

The old guard of the industry postures, rages against unfair competition from the low-end players, beats up the equipment companies for ever-shrinking margins and totally ignores the training gym as, "Those trainer jerks in that little space across the street."

Yet, ignored or not, this category is growing by almost unbelievable numbers. The chains add few clubs to the mix each quarter, and in reality are probably shrinking with their little discussed closures, while the training gyms continue to *open at about a 900 new units per quarter rate!* Despite the hype and the press, the chain world only represents about 10% of the total gym market. The growth is in the training gym segment, and the longer this growth is ignored, and the longer the business model that drives this growth is ignored, the greater advantage this segment gains in the war.

The reason the training gym segment is ignored is the two worlds of fitness, defined as the mainstream players of the last century mindset and the modern training gym, are completely separated in the industry.

There is no crossover, no common trade show, no common education system, no common trade association and not even a common goal in the industry. Sadly, there are very few mainstream owners who could even give a workout to a client in their own gyms!

Examining the Differences in Operations Between the Two Reveals Polar Opposites!

The mainstream world exists to sell the largest quantity of memberships possible. Every decision made by the owners of the mainstream world supports that premise. Low prices, deals of the week, quotas, hungry salespeople and huge floors of do-it-yourself equipment; all which exist to support driving volume with *little, if any, thought given towards retention.*

Just looking at their penetration into training easily confirms this business approach. The national chains average about 6% of their membership who take any type of training. This means that 94% of their membership is on its own, fails within 5-7 months and then has to be replaced.

The training world operates as a polar opposite. Their premise is fewer people who are quite willing to pay more and who are looking for expert guidance and support. In the training world, everyone in the gym has access to a coach who's there to help client members get results. And, this concept has found a market because this type of business plan has revealed a client that has always been there but has never been exposed or ever been truly served well anywhere else in the market through the years.

This is the client who spends money to get what he wants, buys the best,

doesn't care about belonging to a 100,000 square-foot allegedly top-end facility. He does not want, nor does he need to be one of 10,000 members, and he is, in many ways, anti-big box gym. Crowds and the lack of service at \$39 a month can easily be replaced in his mind by paying \$300 a month and getting what he wants in an intimate environment where everyone is pretty much like him.

Why the Collision?

The reason these worlds are colliding now is that the mainstream players are being forced to understand how the training world works because what has passed as normal business practice for decades is now failing, and you either join the price wars at the lower end (you can check the TSI stock values to see how that move has worked) or you can reinvent yourself and become what the new generation client wants.

Remember, for every cheap member who considers Walmart a shrine of American Capitalism, there is another one who would rather be caught naked at church than caught shopping at Walmart. We have forgotten this, and we have assumed for years that everyone wants nothing but price. But, without a shadow of any doubt, the training gyms have proven that theory wrong!

If you don't understand the power of training, and the power of return-per-client-served versus volume, then how will you compete in the coming decade? Price specials? Lower your price to five members for \$10?

The industry has blamed the low-price players for the doom and gloom. But, while this debate has been raging, and *all the new Planet Fitness imitators line up to enter the game* (remember the huge number of Curves pretenders that appeared, then disappeared after their surge), the *real battle... still not acknowledged...* is the collision between the mainstream world and the cloud world represented by thousands of small training gyms continually draining the best clients in their markets.

The beating will continue as long as everyone cannot figure out who is throwing the punches.

(Thomas Plummer has been working in the fitness business for almost forty years. He founded the Thomas Plummer Company in 1990, which eventually became the National Fitness Business Alliance (NFBA) in 2003. Currently, the NFBA offers over 20 seminars a year all across North America and is the largest provider of education for the fitness business owner in the world. He has also authored seven books on the business of fitness, which have remained the bestselling books in the industry for over 18 years, and several of the books are currently used as textbooks in numerous college programs as their source for fitness business education. Thom can be reached at thomasplummer@icloud.com)

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...Norm's Notes

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Lafayette, Louisiana area with a marketplace population of 120,000 and an **estimated 30 competing facilities. What an American success story! Keep it up Red!**

• **Writing here previously about America having just 4% of the population of Planet Earth.** I hope you watched the **New Year's Eve Celebration in Times Square in New York City on New Year's Eve**, in which **PLANET FITNESS** was the *key sponsor* and provided tens of thousands of **New Year celebrants** with hats and balloons with Planet Fitness logos and colors on them.

Here's what **JOE FAVORITO**, an author who has over 30 years of strategic communications/marketing, business development and public relations expertise in sports, entertainment, brand building, media training, television, athletic administration and business had to say:

"Can a brand try to own New Year's Eve? Or, at least the eyeballs turning to **"The Crossroads Of The World?"** Planet Fitness certainly gave it a shot.

The New Hampshire-based chain, *one of the largest and fastest-growing franchisors and operators of fitness centers in the United States*, known more for its fun commercials, non-intimidating atmosphere and affordable prices, became the presenting sponsor of the Times Square New Year's Eve Celebration.

Times Square became a sea of purple and yellow when Planet Fitness handed out thousands of branded hats and balloons in its signature colors on New Year's Eve. Additionally, the chain did a special giveaway for VIP experiences through their social followings and backed it all up with a large spend on *ABC's 'Dick Clark's New Year's Rockin' Eve with Ryan Seacrest 2016.'* In addition, Planet Fitness was showcased throughout the official Times Square 2016 webcast, which was live streamed on **TimesSquareNYC.org**, **TimesSquareBall.net**, **NewYearsEve.nyc** and on many other sites.

The Times Square takeover comes at a crucial time of year for fitness chains, as resolute Americans again try to get in shape and join gyms locally and nationally. Whether those resolutions and memberships pay off for the long term for the consumer is something of debate, as attendance goes up and down with people's crowded lifestyles. The goal for gyms is to lock people in and tap their credit cards monthly whether they attend or not. Planet Fitness' goal is simple, low cost and no hassle, a gym for everyone, and taking on New Year's Eve where the most eyeballs are focused gives them a creative branding edge over any other chains.

Does it pay off? Yes there were other brands (Sketchers, even the now

closed Toys R Us store) that had a year-round presence in Times Square and got exposure as well, and Pepsi did a pretty big visual takeover of many of the boards in and around the stage setups, which did pop up on broadcast and in some photos. Details of signups will play out over a few months, but the exposure the brand received, countless shots of revelers on the live broadcast with bright and well-designed signs, creative logo placement, a massive brand ambassador campaign and a huge sea of purple and yellow, which other brands have not achieved, not to mention photos with branding on the front of newspapers like *The New York Times* seems to have gotten Planet Fitness and its brand a healthy strategic start for 2016, cutting through the clutter and engaging consumers with a sustained effort and a captive audience."

Let me close this **Norm's Note** by adding these final words to **Joe Favorito's**: I'll predict here and now that Planet Fitness' takeover of the largest and most famous New Year's Eve Celebration, certainly in the United States, and most likely in the world, **WILL pay off big-time for them!**

• **World Gym International** has announced agreements to open over 40 new gyms. Check out the **Press Release on Page #8** and **Ad on the Outside Back Page**.

• In a memo to **Gold's Gym Franchisees**, **JIM CALDWELL, President, TRT Holdings, which has owned Gold's Gyms since 2004, announced that, as of Tuesday, January 5th, 2016 GGI, Inc. in Dallas, Texas, the organization has new leadership.** Caldwell wrote: "As of this morning, former President, Aaron Watkins, and Executive Vice President of Operations, David Fowler, are no longer with Gold's Gym. With the rapid evolution of our brand and changing landscape of the industry, we felt that new leadership was in the best interest of the company. Both Aaron and David have put a lot of heart and hard work into growing Gold's Gym, and we are very grateful for all of their contributions." And, Caldwell announced that **BRANDON BEAN, formerly Chairman of Gold's Gym International since 2013, was appointed to be the new CEO of Gold's Gym Franchising.** Caldwell added in the memo: "Together with new leadership, we will chart a course to lead the industry for the next 50 years. When TRT purchased Gold's Gym, we did so because we saw an iconic brand in an exploding industry whose potential was limitless. Twelve years later, we believe that more than ever."

GINGER COLLINS, the Atlanta area-based Executive Director of The Gold's Gym Franchise Association (GGFA), told me on the phone that the franchisees will miss Aaron, and they wish him well. And, a veteran Gold's Gym

franchisee, a man with many years with the organization and who asked me not to disclose his identity disclosed a degree of concern and dissatisfaction with what I will call here: **"GGI's Continued Musical Chairs"** of top level management. **I say this because, in the last 8 years or so, GGI, Inc. has had five different Presidents, including: GENE LAMOTT, DAVID SCHNAUBEL, JAMES WEAVER, JIM SNOW, and of course, the now departed AARON WATKINS. Stay tuned folks!**

• **This thought has been on my mind for over a year now, and I think I'll go ahead and share it now as folks are rolling**

into the New Year and many have made New Year's Resolutions. My thought is that the New Year is a great time to think about your LOVE of what you do in our industry. If you are employed full time in our great industry, and you earn the living with which you feed and house your family, you owe it to yourself and your family and your employer to scrutinize what's in your mind about your job. Do you LOVE it? IF you do not LOVE your job and what you are doing with your life, then get the heck out of it and find a new occupation. A PASSION and LOVE for one's occupation is one of the greatest

(See Norm's Notes Page 8)



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gifts God gives us human beings. Never forget that. And, IF you are waking up on any given day with dread or worry or fear or clear unhappiness in your heart and mind about what is ahead of you that day, then you are not being fair to yourself, your family and your employer. **FOLKS, LIFE IS JUST TOO DADGUM SHORT for that and you DESERVE BETTER, your FAMILY DESERVES BETTER, your EMPLOYER DESERVES BETTER and your MEMBERS and CUSTOMERS DESERVE BETTER!** So, think long and hard about what I've written here to you because, without a doubt, you only get one life, but you have been blessed to live that life as you choose. If you have made a bad choice in the occupation you have chosen, or for whom and where you work, then change it for goodness sake! If you find yourself in this dilemma, consider me as an EAR for you to turn to in order discuss and brainstorm your possible future. This phone call to me will be a free and totally 100% confidential situation, and IF I can be of any help to you, I will feel blessed

to have done so. **SO... call me anytime at (770) 635 - 7578, and if I do not answer, leave a message on my voicemail and I will call you back ASAP. And, God bless you if you fit my description above.**

• **Our friend, PAUL BOSLEY**, is a member of the **CLUB INSIDER Advertising Team**, and his **Ad** appears on **Page #6**. Next month, Paul will present an article on **club financing, in particular on SBA Loan financing**, a world in which he has lots of experience. **So folks, Stay Tuned!**

• **ALLISON FLATLEY** is a young lady I've had the pleasure of getting to know over the last few years through her dedicated service to **IHRSA** as a member of the **Board of Directors**. **Thank you for that service to our great Association, IHRSA, Allison!** Allison is with **Corporate Fitness Works**, and as part of their strategy for continued growth in 2016, they recently announced a change in their executive leadership by moving Allison, **their COO, into the role of Chief Strategy Officer**. Check out the **Press Release on Page #19**. **Stay tuned, the next 28 years should be revolutionary!**

• **Retro Fitness** has launched an annual personal training campaign with a **\$10,000 incentive** to help people achieve their fitness goals and expose more gym-goers to the benefits of working with a top personal trainer. More than **140 Retro Fitness locations from coast to coast are participating in the 90-day personal training weight-loss contest**.

• In a **\$115 million deal**, **Nautilus** has acquired **Octane Fitness** from **North Castle Partners**.

• **May the Force be with you!**

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

• **CLUB INSIDER** is a **Paid Subscription based Publication with a money back guarantee on all new subscriptions**. 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**, which includes **one year of**

new editions (print and online) and **online access to all previous 22 years of CLUB INSIDER's 264 archived monthly editions**. So, **don't delay! Subscribe today for just \$89 for one year or \$10 a month** by going to **www.clubinsideronline.com/subscribe**.

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

(Norm Cates, Jr. is a 40+ year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of CLUB INSIDER, now in its 23rd year of publication. Cates was IHRSA's First President, and a Co-Founder with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. Cates can be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)

Love What You Do And Make It Fun Everyday!

World Gym Starts 2016 With Deals For Over 40 New Gyms

LOS ANGELES, CA - World Gym International, the iconic global brand for bodybuilding and seriously fun fitness, just finished a year-long bulking season, signing deals for more than 40 new gyms. This dynamic growth in gyms is composed of a mix of new gyms and conversions from existing gyms.

"The World Gym family has many reasons to be thankful as 2015 was one of the best year's in the brand's 40-year history," said Joyce J. Cammilleri, Chair of World Gym International. "With new agreements for gyms in seven countries, on four continents, we are now the fastest growing full service global gym brand."

World Gym's franchising program has been successful in large part due to the marketing, branding and sales support provided by World Gym International's corporate team and the peer network of over 200 gym owners from around the globe. Both first-time entrepreneurs and experienced industry veterans alike have succeeded with World Gym. In 2015, World Gym struck deals to open franchises in:

Australia - Albury, New South Wales; Tweed Heads, New South Wales; Cairns, Queensland; Rockhampton, Queensland; Toowoomba, Queensland; Bayside, Victoria; Malaga, Western Australia.

Canada - Belleville, Ontario; Galt (Cambridge), Ontario; Hamilton Mountain, Ontario; Lasalle, Ontario; North London, Ontario; Niagara Falls, Ontario; Orillia, Ontario; Windsor, Ontario; Beauport, Quebec; Laval, Quebec; Neufchatel, Quebec; Rosemere, Quebec; Saint-Jérôme, Quebec; Trois-Rivières, Quebec.

United States - Oxnard, California; Cedar Lake, Indiana; Merriam, Kansas; Gladstone, Missouri; Charlotte, North Carolina; Matthews, North Carolina; Ridgewood, New York.

Mexico - Querétaro, Querétaro.

Russia - Moskovsky, Moscow; Rsterlitamak, Bashkortostan; Surgut, Khanty-Mansi Autonomous Okrug; Veshki, Moskovskaya.



Taiwan - Taichung Chong De; Taipei Danshui; Taipei Neihu Fuhua.

Many of the above gyms opened in 2015, and the rest are under construction with opening dates targeted in the first two quarters of 2016. In addition to the list above, World Gym entered into an agreement with John Caraccio and Michael Sanciprian of World Gym Taiwan,

to expand into Mainland China, including China, Hong Kong, Macau, and of course, continued growth in Taiwan.

It was a landmark year for World Gym, launching its first global advertising campaign for franchisees, a new website and a global social media search for its 2016 fitness ambassadors, who will debut a new series of fitness videos for members in early 2016.

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...Baptist/Milestone

continued from page 3

met individually with Diane Kelton and then **Chuck Bent**, *Director of the HMR Program*. Having lost 100 pounds on the program he now oversees at Milestone, Chuck is an inspiration full of energy and vigor, and helping others achieve those same results has become his life's work. And, interestingly enough, both Diane and Chuck, as well as some other staff members I met, were all members of the club before ever coming on as staff members. And now, they are the leaders of the organization.

The story of Baptist Health/Milestone Wellness Center is one that will make you feel good about what you are doing to help others within our incredibly great industry. But, more than that, Milestone is a great example to learn from as facilities across our nation learn and adapt to truly become the solution to so many health care issues moving forward. Happy New Year! Make it a great and **FUN** one! And, I urge you to read on...

A Group Interview With Milestone Staff

CLUB INSIDER (C.I.) - When and how did the Milestone Wellness Center come to be?
Diane Kelton (DK) - Milestone originally opened in 1984. Paul Schmitt, who had been the Director of the Y, opened it. His significant other, Sue Schonberger, was very involved, too. She's actually still our Group Exercise Director. They opened the club, and it was about 8,500 square feet. After about 15 years, it grew to about 18,000 square feet. At the time, the lease was up, and they looked at doing an expansion.

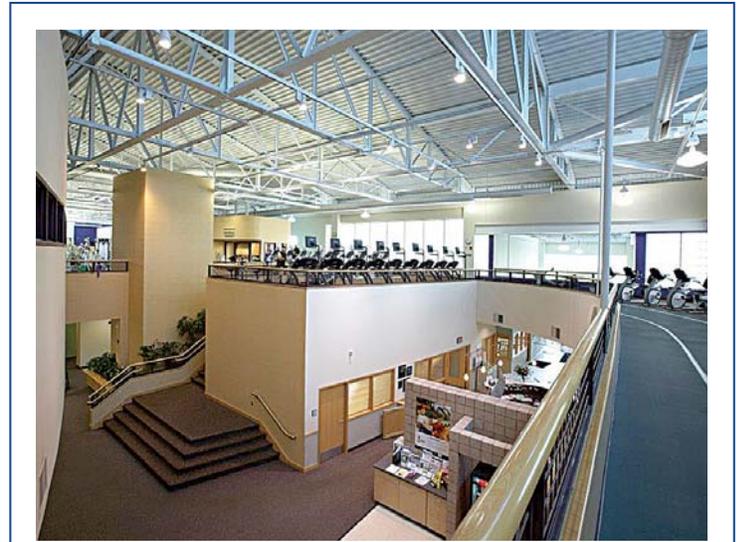
The gentleman who was the Board Chair at the time was Tom Payette. He owned a Jaguar Dealership and really oversaw the business side. I had come on doing the accounting in 1990. We connected with Donald Demars, who was

a consultant out of California, and he had done a lot of hospital partnerships in the fitness industry. He recommended that we try to partner with a hospital. Through a very long process, things worked out with Baptist Health Louisville. In the fall of 1999, we broke ground on this property and opened it in November 2000. We just celebrated our 15th anniversary here.

C.I. - When and how did Baptist Health come into the fold?

DK - During the search process, we sent a letter out to all area hospitals. Oddly enough, Baptist Health had the least interest initially, though they were interested in leasing space for physical therapy. Donald Demars had done a club with a group in Beaumont, Texas. At the time, the Board Chair for the hospital flew several of us down to look at it. When we came back, Sue Tamme, who was the President of Baptist Health came back and said it didn't make sense for them to lease space and would now like to be a 50/50 owner. She is still involved with the hospital and is our current Board Chair.

It was a long process, and many things had to fall in place. We had an option on the land. It was a member who is still a member today. We had money down on it, but it was totally refundable, which is very unusual. We did a private placement. There was a group of about 20 investors who owned Milestone, but we had to raise about \$1 million to match the hospital's investment. At the time, Blairwood, which is a local club, was owned by Caritas, another hospital system. They were looking to do a big expansion and had actually hired the Michigan Athletic Club on a management contract. So, we were both in the running to do the expansion. Theirs never came about and was sold back privately. But, because of that, the two groups, Milestone and Baptist Health decided to pick out architects, contractors and everything, even though we didn't have the money yet. It was just with the



Baptist Health/Milestone Wellness Center Interior

hope that it would work out, and if it didn't, that the two groups would share the expenses and move on. I remember sitting at the hospital thinking, 'This is so weird, picking out carpet for my office though we did not have any money.' But, in the end, we did raise the money through a private placement and got our financing in order.

C.I. - Please tell us about your personal experience with the Center prior to coming on board as a staff member and later, President of the organization.

DK - I became a member in 1985. Then, I started doing accounting for them part-time in 1990. My degree was in accounting, and I have an MBA. When I was 20 years old, if someone had told me this is what I would be doing, I would have laughed at them. I never played sports, was never athletic and was always overweight as a child, but I lost weight in college. Later, I saw a special Milestone was running: *10 weeks for \$100*. I thought I wouldn't do it, but for \$100, I figured why not? So, I started going and started in Sue Schonberger's class. It was a very regimented program where she had the class three times a week. I thought, 'this isn't so bad.' So, I ended up joining after the special was over.

As I mentioned, my degree was in accounting. At the time, I worked for a local restaurant management company, but I always knew I wanted to be more on the operational side than the accounting side. I was doing accounting for a lot of small businesses, and that's when I started doing some work for Milestone. In 1989, the original Milestone investors sold out to a group of local businessmen, of which some of them are still very involved. Through the process of needing accounting help, Sue Schonberger recommended me to Tom Payette, and that's how I started working with them.

As it got into the late '90s, when they were looking at this expansion, which was going from a small investment to a \$14 million one, they knew they were going

to need to bring someone on business-wise. Because Tom and I had worked so closely together, he kept pushing for me to get more involved. At the time, I also applied for Law School and was accepted. So, in the fall of '99, I went to Law School that semester, and it was the year we broke ground. I had a vision that I was going to do both (laughs), and in the second semester on the third day, I had to make a choice. So, here I am 15 years later (laughs again).

C.I. - Partnering with Baptist Health facilitated a move to a new location built from the ground up. Please describe the current facility/amenities, programs and other offerings.

DK - We have a 70,000 square-foot, state-of-the-art facility that includes a 25-yard, 5-lane lap pool; large warm-therapy pool; whirlpool; 250+ fitness and aquatic classes for all fitness levels, kickboxing to yoga; cardiovascular and resistance equipment; 1/11th-mile walking and jogging track; fully equipped Pilates training studio (extra fee); cycling studio with LeMond RevMaster bikes; Life Fitness + Hammer Strength equipment; Cybex Arc Trainers; TRX (extra fee); Oasis Spa (extra fee); Personal Training (extra fee); café; steam rooms and spacious locker rooms.

C.I. - Unlike most centers in this category, Baptist/Milestone is only partially owned by the hospital. Given this, the center has independent investors and a for-profit status. Please tell us about that.

DK - The beauty and success of this facility is that it is really operated like a fitness club. The hospital has plenty of room to do sickness, but they were looking to do wellness. Hospitals are good at what they do, but it's a totally different business than a fitness club. I think our success has been because the hospital saw that. Doing a wellness center was one of Sue Tamme's

(See *Baptist/Milestone Page 12*)



Baptist Health/Milestone Wellness Center Cardio Floor



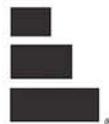
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...**Baptist/Milestone**

continued from page 10

big visions during her career, but she had the good sense to know that it was not what their expertise was. So, when we formed the new entity, it was half owned by a group of investors and half owned by the hospital.

C.I. - Also, unlike most facilities, you have a dual role as the General Manager and Controller. Please describe the challenges of that, as well as positives that come from it.

DK - The advantage is that I know the numbers in and out. For any business, that's a huge advantage, whether it's a fitness club or not. As anybody in the club business knows, the challenges are that some days are just crazy.

Jeff Howard (JH) - She has a very open door policy, so members are always welcome to come talk to her, as well as staff, Board Members or whomever. She really has her hand in everything, which is nice. She knows everything that is going on under this roof, which is something I've never experienced before.

CLUB INSIDER (C.I.) - Walking in, I noticed that right away. I didn't even have to go to the front desk because her office is right up front. I immediately saw her out of the corner of my eye because I knew what she looked like, and I thought, 'Oh, this is where I need to be.'

DK - I was very big on designing the club this way. When planning this facility, we had the luxury of visiting a lot of clubs, and the thing I hated was that, so many times, you could never find the management people. They were all hidden back in some corner. Some of those I met made it clear that's the way they wanted it. I'm not that way; it's a member business. You have to love it.

MB - With Diane being visible, accessible and so easy for us to pitch an idea to her, it has been really helpful. She's not afraid to take risks. For example, a few years ago, with all the new things coming along, we tried CrossFit. We bought the equipment and paid the licensing fees to see if it would

appeal to some of the younger people. But, we just didn't really have that community within our membership. You know how the CrossFit community is. So, we decided to discontinue the licensing, but we kept the equipment and have found many people using it. They will still go to CrossFit for that community, but they will still come here for workouts. To evolve, you have to take risks. Sometimes things work, and sometimes they don't.

A Group Discussion About Retention

C.I. - Can you explain the concept of having fitness coaches as part of the initial sales process?

Lisa Groft (LG) - I think that an advantage is that we know the most about fitness out of anybody in the facility. So, if someone asks a question, like 'I've had breast cancer, what can I do and what should I avoid?' then, the fitness coach can tell them how this club can specifically help them during the sales process versus some membership representatives who may not know *exactly* what type of equipment they should be using or how the club can specifically help. The fitness coach can get into more details because they all have a degree in an exercise-related field plus national certifications, so they know their stuff when it comes to fitness.

DK - We are still working on making that process seamless. We've all had that experience before. You go through the salesperson but are then passed on to someone else, so we are trying to create a more seamless process.

Maria Bernard (MB) - Let me add to that. If our salespeople are signing up someone who is looking for general weight loss, they have no problem taking them through and properly selling to them. But, if it's someone who comes in with a specific thing that they are looking for, they will bring a fitness coach in and make them part of the sale. That's important because it shows the person we are selling to that, if the salesperson doesn't have an answer, they will find someone here who does and we are all working together. They see firsthand that there are a lot of people in



Aquatics at Baptist Health/Milestone Wellness Center

this facility who can help them so they aren't just left on their own.

JH - The number one thing that a lot of people are apprehensive of is 'that room.' The equipment looks dangerous, and for someone like an older mother, it's very intimidating; they don't feel comfortable with that. So, the fitness coaches really tend to make it a welcome environment. They explain how the things work. They are going to show them the classes that work. And, I think that really tends to make them feel we really care and are not just trying to get them to sign on the dotted line.

C.I. - How do you communicate with each other to refine your process of doing that? Is there anything in place for that?

All - Meetings.

JH - We have meetings almost every week.

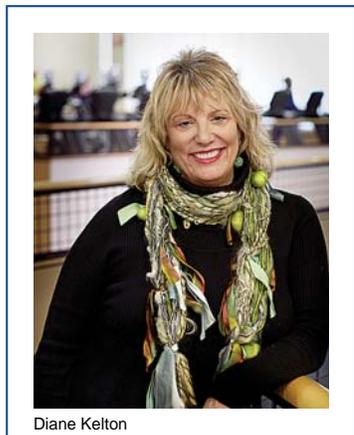
LG - Fitness staff have weekly meetings. The managers are monthly, sometimes twice a month. And, Maria and I meet with Diane once a week.

JH - We also have forms for people we track. When they call in, when they walk in, retention with fitness coaches, the

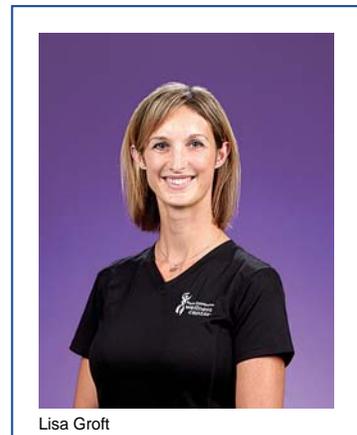
difference of getting a sale versus not, etc. With all of that, we are definitely finding that retention is better when they have a fitness coach.

DK - Besides formal meetings, we also have a lot of staff interaction between all of us. Our predominant market, about half of our members are between the ages of 40 and 65. And, many of them are very, very fit. About 30% of our membership is 65+. The rest are under 40. With that, there have been a lot of huge advantages with the hospital. But, one of few disadvantages has been perception. When we were first giving hard-hat tours, a lot of people just thought it was a rehab center. And, we are still getting over that hurdle in that people ask us if they have to go for rehab to use the facility, and we have to explain that we have 6,000 members and run like any other retail fitness club in the country. The hospital does have physical therapy (land and aquatic) here on-site, but other than that, there are no hospital services.

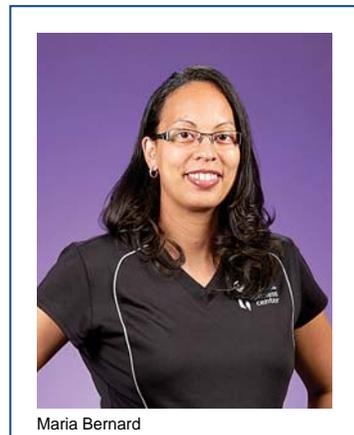
JH - Because of what she was saying about our members, I have never been in a facility that has so many group exercise classes. We have 170 - 80 land classes (See *Baptist/Milestone Page 14*)



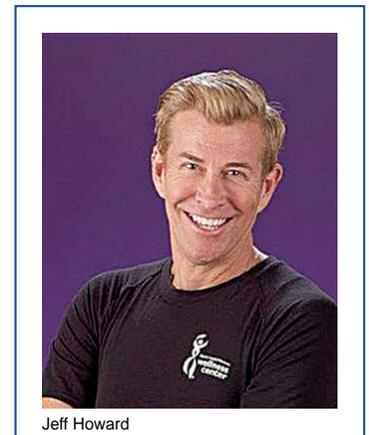
Diane Kelton



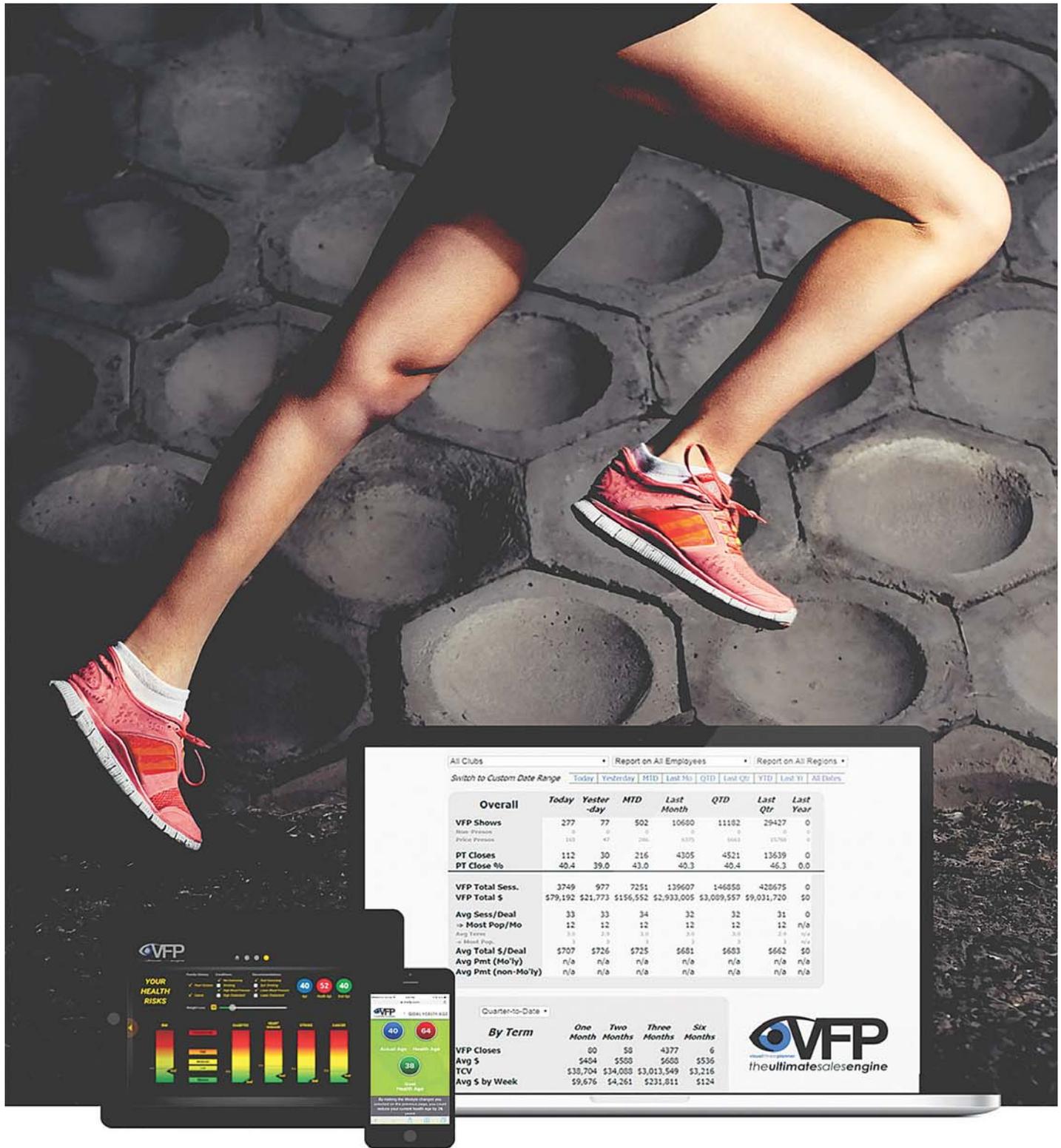
Lisa Groft



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VFP Shows	277	77	502	10690	11182	29427	0
Non-Press	0	0	0	0	0	0	0
Price Press	113	47	286	4375	5663	15768	0
PT Closes	112	30	216	4305	4521	13639	0
PT Close %	40.4	39.0	43.0	40.3	40.4	46.3	0.0
VFP Total Sess.	3749	977	7251	139607	146858	428675	0
VFP Total \$	\$79,192	\$21,773	\$156,552	\$2,933,005	\$3,089,557	\$9,031,720	\$0
Avg Sess/Deal	33	33	34	32	32	31	0
→ Most Pop/Mo	12	12	12	12	12	12	n/a
Avg Term	3.0	3.0	3.0	3.0	3.0	3.0	n/a
→ Most Pop	3	3	3	3	3	3	n/a
Avg Total \$/Deal	\$707	\$726	\$725	\$681	\$683	\$662	\$0
Avg Pmt (Mo'ly)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Avg Pmt (non-Mo'ly)	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Quarter-to-Date

By Term	One Month	Two Months	Three Months	Six Months
VFP Closes	90	50	4377	6
Avg \$	\$404	\$500	\$600	\$536
TCV	\$38,704	\$34,000	\$3,013,549	\$3,216
Avg \$ by Week	\$9,676	\$4,261	\$231,811	\$124

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...Baptist/Milestone

continued from page 12

and 70 - 80 aquatic classes per week, and we have TRX on top of that. The reason we have to have so many is because we have 6,000 members, and we have to give them a good product they can use. A lot of clubs usually only have about 10% usage for group exercises. Ours is 40%, and the difference is what we are trying to do is this: We have to compete with a lot of small box gyms when we are a big box, so it's about making a community within a community. With small box gyms, they are seeing success because people go there with a like mindset. They go there knowing what they are going to get. We are trying to do the exact same thing but on a larger scale. So, whether you are younger or older, you know you are getting a product with a community of whom you know. We are finding the most success with retention when someone is part of a community; they tend to stay part of the community.

MB - We don't do the big advertising on billboards or television. For us, it's a lot of referrals and word-of-mouth. We have members that will come with their parents at the same time. For example, your mom can go to a class, and you can go to a different class. We cater to all fitness levels.

DK - Sometimes, we have three generations in here at one time.

MB - Then, they go eat at the café afterwards. It really is a community.

C.I. - I noticed the LA Fitness down the street on the way when I was driving in. What is your competition like in this area?

JH - We compete with Orangetheory, Pure Barre, 9Round, CrossFit, Red Ride and numerous other small boxes. But, what we are finding is that members will now have both. They will have a membership with us and another with one or more of the others.

They want what they want when they want it, and it's a different environment, but they almost always stay a member with us.

DK - When we opened, we didn't have anything near here. It was basically the Jewish Community Center and the Y.

A Group Discussion About The Senior Membership Segment

C.I. - As we have already touched on, Milestone is also known for the involvement of its senior population. How involved is this segment in your program offerings? And, please tell us about the social components they engage in when on-site.

JH - We have a section upstairs, outside the studios, that has coffee, cards, puzzles, newspapers, etc., and it is designed for people just to hang out. They do that for hours. Also, Sue Schonberger does a lot of events outside, such as dinners, bus trips, etc. They include those who are in wheelchairs, so she really makes it community-oriented.

DK - That population is also a huge percentage of our personal training clientele. For me, if someone asks what am I most proud of at the club, I say that you might see someone with Parkinson's being pushed around in a wheelchair, you might see someone who was a former soldier and was injured; or you might see someone who is training for the Ironman, all in one place. I don't know our statistic, but when we were doing this facility, we looked at the hospital-based Mercy facilities in Cincinnati, and at the time, they had the statistic that 47% of the people who join hospital-based facilities have never belonged to a club before. It just opens up different doors. That's the beauty of the hospital and the security blanket it provides. Conversely, we still rely on member referrals and word-of-mouth to attract new members. And, some of the



Group Exercise Baptist Health/Milestone Wellness Center

people here who do physical therapy on-site transition as well because they know us. But, the advantage of not being right on the hospital campus is that people don't feel like they are going to a hospital.

JH - A lot of clubs have regular group exercise and Silver Sneakers. But, they don't really have anything that is in the middle, so there is a gap where people are missing out. We have so many classes that we are able to fill that gap. We may have a young class with more movement in one studio, and in another, our instructors in there are geared more towards teaching an older demographic. But, it's not Silver Sneakers, so it's in that middle gap. We cater a lot to that. So, for that population, they hear about it, they see their friends going to it and they see the quality of life improve. They want that as well.

MB - From a personal training standpoint, it's not always people coming in who want to see how much weight they can bench or squat. It's more about functional training that will enable them to keep the independence they have. They want to keep being able to go to the store on their own and do other activities of daily living.

LG - It's all about daily living: getting off the toilet, getting out of the car, playing with their grandkids... We hear that so often; their number one goal is to have more energy so they can play with their grandkids.

JH - We have some of the fittest 50-, 60-, 70-year-olds that I have seen anywhere. It's amazing when you see that room moving. I have a woman that does my class who is 73 years old. She did cycling with me just now, and it's like SoulCycle. Then, she comes and does weights. She is 73, but she is a *young 73*, you know what I mean? We have so many members like that, which is just amazing. I also teach in the aquatic environment, which is generally thought to

be more sedentary, but we are losing 40 - 60 pounds with these people. Their quality of life definitely improves. An important factor is that, when they walk upstairs, they don't see the hard bodies. They see more of their contemporaries. Their instructors are more of their contemporaries. Sue is 65, and she is a group exercise instructor. She's a *very young 65* and in better shape than most, but we've really made an effort, subconsciously even, to make the mindset unimposing and inclusive.

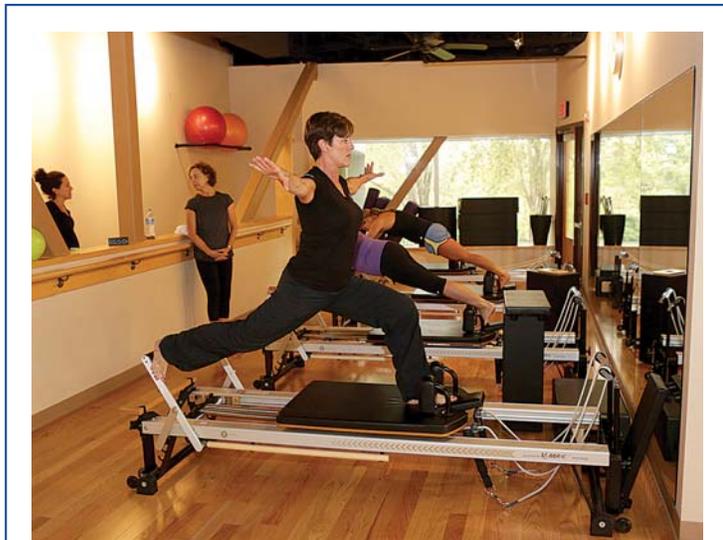
C.I. - What are the challenges of integrating a sizable senior population with younger segments?

DK - The biggest issue with that is when people from outside the club come in, they may think it's more of a senior population club. That is not the case, as 30% of our population is 65+, so it's not the majority.

LG - When you are 25, you still think 55 is old. But, when you become 35, 40, 45, you become inspired by these people who are 65+ years old up there in a group exercise class kicking butt. It's inspiring. But, still, to that young group of a thousand or so who are under 30, there are challenges, but we work to balance those out.

JH - For example, one studio will be more for younger demographics, let's call it HIIT training. And, in the studio next to it, at the same time, will be more mature training. So, they co-exist. One thing we have to be careful with is our advertising. Let's say we did an ad with all muscle people, then a muscle person would come tour the place and it would feel like a bait-and-switch. So, in terms of advertising, we focus more on showing fit people who are real members and a range of ages. From 25 - 65, we try to show all of it because we know who we are.

C.I. - Conversely, what have been some of the unexpected gems of these (See *Baptist/Milestone Page 16*)



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...Baptist/Milestone

continued from page 14

populations interacting?

JH - When someone who is 35 sees someone who is 73 doing it and knowing it will make their quality of life better, that's inspiring. Another gem is being able to work out with your mother or having your grandmother in the building and being able to have a coffee with them afterwards. How many facilities can do that?

LG - If you don't exercise, you feel much older. But, these people who are here exercising feel so young and vibrant. They have this energy, and it's infectious. Another great thing is that we will be giving tours, and older members will come up and say, 'You have to join; you will love it here!'

DK - We do get a lot of compliments from younger members. They have busy lives, so they are in and out. Older members love to come in and stay for a while. I've also had many of them say it's what got them through their spouses passing away, with the support and community they have here. It's somewhere to go daily.

LG - Once, I went to a client's funeral. I looked around, and I saw a ton of Milestone members. I thought about how incredible that was because it's not just a gym; it's a community. We support each other, hold each other up, and it was really great.

A Group Discussion About Personal Training

C.I. - We've already discussed several offerings that, on their own, would normally define a facility. But, you also have a very successful personal training department. And, because of the market you are in, you've had to create this success combating a few limitations. Please tell us about that.

LG - We don't do packages because we have found that, in other clubs, when people purchase a package, there is a beginning and an end. When they reach that end, they are DONE. Instead, we will say things like, 'Let's try it a few times over a couple of months.' So, it's kind of like a package, but they are paying as they go instead of all upfront. That way, they also don't feel the impact of that much money all at once.

MB - It's not a hard sell either, and results are the key. That's what we keep them with. You know that, as long as they are meeting with you a couple times a week and they are doing some on their own, they will get the results. I believe the biggest thing is that we leave it open-ended, so they also feel that, if they want to stop, they can.

LG - It's low pressure. The other major difference between us and other clubs is that, if you sign up to work with me, I am your trainer every single time you come.

You don't bounce around between me, Maria and ten other people on our staff just because you want a certain time.

C.I. And, just like a doctor, you are monitoring their progress. So, for example, if their knee is hurting this week, you can make adjustments.

LG - Yes. And, too often at other clubs, we hear about trainers quitting because there's a high-turnover rate. We don't have that here. We have longevity of trainers and some who have been here 15 years. So, you are going to keep that trainer every time you come so you can build a relationship with them, and it becomes lifelong. I still have clients that I have worked with since I came here 12 years ago. Then, it truly is *personal* training and not just a workout.

C.I. - How many personal trainers do you have on staff?

LG - We have 60 on staff.

C.I. - How many sessions per week are offered/sold and at what price points?

DK - Depending if they are group or individual, 650 - 700 sessions a week.

LG - \$65 for a one-hour session. \$45 for a half-hour session.

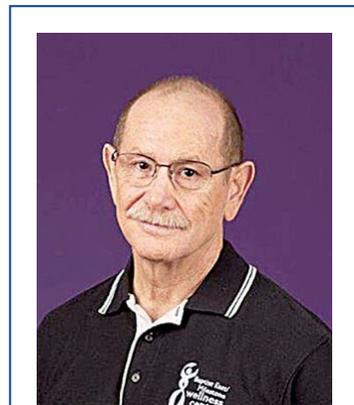
The HMR Program

C.I. - Among your offerings, I'd like to discuss your behavioral modification programs.

DK - I'm going to have you talk to Chuck Bent about the HMR Program. Chuck has great passion for what he does, and he actually lost 100 pounds on the program. He actually has the same story as me. He was a participant at Milestone and is now on staff, the Director of the HMR Program. I will say that, for us, as far as the success of the facility, HMR is just as important as personal training.

C.I. - Please describe the HMR Program.

Chuck Bent (CB) - The HMR Program is a nationwide program. In terms of results, it is the number one weight loss program in the nation with two times more documented weight loss than any other program. It's a very structured program, but the results are



Chuck Bent



Personal Training at Baptist Health/Milestone Wellness Center

phenomenal. We consistently get people off of their meds. People who are diabetic are able to get off their insulin shots. Those who had high cholesterol no longer need pills. We get people healthy.

C.I. - How is it structured to lead to results? What is the philosophy behind it?

CB - It's a motivational program. People come in and see the results. That motivates them to do it again and again. It's a behavioral change program because behaviors are changed, and it's supported by the results on the scale. This program works. So many people have lost 30 and gained 40, or lost 20 and gained 30 in the past. It's because we go back to our old ways. It's more of a lifestyle change. We aren't going to go back to our old ways, but we are going to rethink what we are doing and come up with new ways. It's not a diet; it's more of a way of life. I eat more food than anybody I know, but the key is high-volume, low-calorie nutritious food.

C.I. - Please tell us about the dietary components that accompany the program.

CB - In the first phase, it is very structured. You will have at least three of our shakes, two of our entrees and five servings of fruits and vegetables per day: 3-2-5. How long you are in that phase depends on how much weight you have to lose. The average person stays 13 - 15 weeks and might lose about 35 pounds. They get a lot of weight off and don't want to leave. They are on roll. It's too easy, and they are afraid to go over to the other side. But, they have to eventually.

Then, they go to a second phase where we transition them to living in the real world, such as being able to go out to restaurants and order the right things, etc. They can be social and active but make the right choices. They learn to read labels, know where the calories are and where the hidden calories are so they can keep the weight off for life. So, that is the goal of our program.

Everywhere we go, we are surrounded by food choices. We are bombarded by high calorie, low nutrition food. But, people on this program don't have to think about that because we teach them to plan their day. It's just a skillset that is taught in order to be successful for life.

C.I. Including non-members, how many clients utilize the program?

CB - Right now, we have about 265, and that's Christmas time, which is not too shabby at all. We will have a big surge in January. My goal in life is to help people get healthy through nutrition and not through surgery.

Interview Wrap-Up With Diane Kelton

C.I. - What other key market differentiators does Milestone possess?

DK - There are other facilities, but we are really Louisville's only full service facility in that you can come in, work out, leave your child in a very safe environment, have lunch, get a massage, get your nails done and more. We are the only facility in Louisville like that. And, I would definitely call us a 'country club' in that members feel great ownership in the facility.

C.I. - From the outside looking in, let me also add to that your staff. With the longevity of so many; staff whom I toured with knowing so many people's names and they know them; the camaraderie I see, even when it was just you, Lisa, Maria, Jeff and I talking a little while ago. It's great to see and experience.

C.I. Can you elaborate on the concept of real Board of Directors? How it's structured, how you work with them, etc.

DK - The Board is made up of two groups. There are four people from the hospital side. Over the years, Sue Tamme has chosen or recommended them. And, there
 (See *Baptist/Milestone* Page 18)



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...Baptist/Milestone

continued from page 16

are four people from the investor side. They are elected, but we have had the same Board for about ten years. Most of them are very active and avid users of the facility, so they certainly give input. But, it is not a Board that tries to micromanage. At the same time, they are extremely supportive, continually updating the facility. They meet every other month, and I, of course, report to the Board. So, it is really the Board and myself, and we review general operations. Each of them brings different issues and talents based on their expertise. It's a good mix of people that brings everything together.

C.I. - What are some of the opportunities you see coming in 2016?

DK - We will continue to position ourselves to compete with all the small boxes. Louisville is always the last to see these trends, but it has really increased the past two years. And, we want to continue to create excitement, which is something Jeff has brought to us because of what he does nationally presenting to training instructors all over the country. We have the opportunity to have him here to continue to build our programming. Our old facility was really built on group exercise. And, as I mentioned, that's how I joined and got started. Group exercise certainly provides

that community environment, so it's very important to us.

Also, we have so many different personalities, as you saw, and they are all so passionate. But, that can sometimes be hard to manage. So, we are bringing in someone to help manage that. We are hiring someone we have used on a coaching basis to do our management retreats and help take us to that next level of culture in which everyone is where they need to be. Our tagline is: *Where You Matter Most*. As she says, it's not just about where the member matters most, it's about where we matter most to each other as staff. Those skills are learned.

C.I. - That sure sounds like *Good to Great* philosophy. You've got a lot of great people on the bus, so now, you are getting them all in the right seat to make sure it's going the right direction. That's great to hear.

C.I. - Conversely, how about some of the challenges you believe you will face in 2016?

DK - Really, I think it's always a challenge to maintain the right staff in all positions and communication of who we want to be and making sure everyone participates in that.

C.I. - From a bird's eye view, where is Milestone going over the next 3 - 5 years?

DK - We looked at a second location right

before the economy crashed, and we were very ready to do it. We revisited it and decided to hold off. It was the best thing because the economy crashed the next year. We actually once peaked at 7,200 members. Now, that's really over capacity for us, and we had complaints about parking, etc. But, I feel our facility can accommodate 6,500, so my goal over this time would be to see that number.

C.I. Milestone is an IHRSA Member. What are some of the key benefits that IHRSA provides?

DK - They obviously have great materials you can fall back on. We listen to a lot of their webinars. Lisa and Maria attend the conference and trade show every year. I used to, but I may this year. But, I also do the Faust Roundtable group, so we kind of try to balance it out.

C.I. - To close, what advice would you give an organization leader who is trying to partner with a hospital?

DK - From my standpoint, I believe the important part would be to make sure that both parties have the right expectations and know what each group is going to do. I admire the hospital and what they are surviving through right now with the health care changes. I certainly do not have the ability or know-how of doing all that. At the same time, I think most of them would say the same about us here. If

you are in it to be successful, each group must know that managing a health club is much different than operating a hospital. As I said, our Board gets a lot of great input from the hospital. At the same time, they don't try to manage the club. It's not always easy; it never is with two groups, but the right balance is important.

• • •

Thank you to Diane Kelton, Lisa Groft, Maria Bernard, Jeff Howard, Priscilla DeSpain, Louise Auslander, Chuck Bent, Tracy Souder and Elizabeth Dowell for their time and assistance with this cover story.

(Justin Cates is the President and Assistant Publisher of CLUB INSIDER and grew up in the health and fitness club industry. Justin was born into a club business family in 1985, and from the age of eight, he spent his non-school and sports hours in a home that doubled as CLUB INSIDER Headquarters. He has lived and breathed this industry for 31 years, since his own day one. Cates graduated from the Terry College of Business at The University of Georgia in 2007 and then went on to two years at The Art Institute of Atlanta, where he studied Interactive Media Design. Now, he is an integral part of the "Story" of Norm Cates and CLUB INSIDER. Justin can be reached by phone at 423-314-4310 or email at Justin@clubinsideronline.com)



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Fastest-Growing Private Company in Tampa Bay Leads a Health Revolution

ST. PETERSBURG, FL - Celebrating 167.7% growth, Corporate Fitness Works was recently recognized as the fastest-growing largest private company in Tampa Bay. Employing over 650 wellness and fitness professionals nationwide, Corporate Fitness Works has been a trusted provider of comprehensive wellness and fitness solutions since 1988.

Founded by Sheila Drohan and Brenda Loube, Corporate Fitness Works also ranked as the 15th largest women-owned company in Tampa Bay and #1 in their industry. Their successful leadership earned them the distinguished honor of being named Host Chair for the 2016 Women's Business Enterprise National Council, National Conference and Business Fair taking place in Orlando, Florida. This is the largest conference for women business owners in the U.S. and will bring together over 3,500 entrepreneurs, senior executives and procurement representatives from Fortune 500 and U.S. Government worldwide.

As part of their strategy for continued growth in 2016, Corporate Fitness Works recently announced a change in their executive leadership by moving their COO, Allison Flatley, into the role of Chief Strategy Officer. With over 30 years of experience in the wellness and fitness industry, Allison will champion the company's mission, vision, values and philosophies and play an integral role to strengthen the company's position for continued success and profitability. Starting with a vision to lead the health revolution that moves everybody over 28 years, Corporate Fitness Works is getting noticed for the impact they have on creating healthier communities. Stay tuned, the next 28 should be revolutionary!

Make It Fun!

ACA Reporting Guidance For 2016

By: Melissa Knowles

If you're panicking over the reports the Affordable Care Act (ACA) requires your business to produce this month, you're not alone. We've received numerous questions over the past few months from clients and blog readers. In an effort to make the process easier, we've prepared the handy guide that follows.

How do I know what size employer I fall under? For some, it's very clear that

you're a small business. You have ten team members (both full- and part-time) at any given point in the year. For others, it can get a bit cloudy. Here's what the ACA says about your business size:

- **Small employers are those with fewer than 50 FTEs.**
- **Applicable large employers are those with at least 50 FTEs.**

First, you'll need to determine how many full-time equivalent (FTE)

employees you have. Start by counting all full-time (30+ hours per week for at least 120 days) employees you had at the height of your employee count for the year (if your number of staff members/payroll has fluctuated). Next, calculate your FTE employees (employees who worked less than 30 hours per week for at least 120 days of the year). Take the payroll data from several payrolls throughout the year and do the following:

- Add up all part-time employee hours (for



Melissa Knowles

those working or expected to work 120 or more days).

- Divide it by 30.
- Add that number to your full-time count, and you have your FTE number. Look at several payrolls and go with the highest. The IRS has a calculator to help with this: www.healthcare.gov/shop-calculators-fte

Which reports do I need to send? Take your FTE count and your knowledge of the medical coverage your business currently offers and determine which reporting group you fall into:

• **Small employers (those with fewer than 50 FTEs)** with a self-insured health plan must complete and file Forms 1095-B (Health Coverage) and 1094-B (accompanying transmittal form) with the IRS, as well as provide employees, specifically, those who are taxpayers responsible for showing they had health coverage during the year, with a copy of Form 1095-B.

Form 1095-B is used to report certain information to the IRS and to taxpayers about individuals who are covered by minimal essential coverage, and therefore, not liable for the individual shared responsibility payment.

The 1095-Bs will be provided by insurance companies for fully-insured plans.

• **Applicable large employers (ALEs) with at least 50 FTEs** must complete and file Forms 1095-C (Employer-Provided Health Insurance Offer and Coverage) and 1094-C (accompanying transmittal form), and provide each full-time employee with a copy of Form 1095-C.

Small employers with fewer than 50 FTEs also will be required to file Forms 1095-C and 1094-C if they are members of a controlled or affiliated service group that collectively has at least 50 FTEs. This means if you have several different legal

(See *Melissa Knowles* Page 21)

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...Melissa Knowles

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entities all operating under one brand and one management umbrella, you'll need to count all of these legal entities' FTEs together for reporting and coverage requirement purposes.

When are the reports due? Reports due to the employees must be provided by January 31st. Reports to the IRS are due by February 29th.

While the coverage requirements and penalties for 2015 only applied to applicable large employers (ALEs) with at least 100 FTEs, reporting is required for those with at least 50. And, in 2016, employers with 50 or more FTEs are subject to the employer shared responsibility provisions.

The employer shared responsibility provisions, also known as the employer coverage mandate, are the employer penalty provisions under the ACA. Penalties apply if an employer fails to offer minimum essential coverage that is affordable and provides minimum value to full-time employees working at least 30 hours per week.

What else do I need to do to prepare? Before you start working on your required forms, here's one last recommendation; get your employees prepared. Since this

is the first year they'll be required to report coverage with their tax filings, chances are they're not prepared. A little communication can go a long way.

There are three primary messages to convey to your employees:

- 1. Here's what to expect.** You will receive Form 1095-C for the first time in January 2016.
- 2. Why you should care.** You will need information on the form to prepare your 2015 taxes.
- 3. Be on the lookout.** Watch for the form in your mailbox in January or for it to be delivered by hand at the worksite.

(Melissa Knowles serves as the CEO for Gym HQ. With over a decade of industry experience, her knowledge spans many areas: strategic operations, development of staff training materials and programs, cost savings analysis, reporting development and implementation, fitness department overhaul, client retention systems and corporate management. She's especially well-versed in all operational and HR focused areas. Melissa is a graduate of the University of West Florida and holds an MS in Exercise Science and a BS in Sports Medicine. You can reach Melissa at mknowles@gymhq.club or 404-921-2269. For more information, go to www.gymhq.club.)

Form Name	Form Number	Purpose	Initiator	Recipient
Health Insurance Marketplace Statement	1095-A	Provides information on each individual enrolled in a qualified health plan (QHP) in the individual market through the Health Insurance Marketplace each year	Federal Exchange/ Marketplace or state-based Exchange	Individual and copy of information to IRS
Health Coverage	1095-B	Reports information on health coverage, including period of coverage, and for whom coverage was provided—including each dependent	Health insurer for insured plans	IRS (and copy of information sent to Individual)
Transmittal of Health Coverage Information Returns	1094-B	Transmittal form filed with Form 1095-B from the insurer to the IRS	Health insurer for insured plans	IRS
Employer-Provided Health Insurance Offer and Coverage	1095-C	Reports information on health coverage offered and information on employees and dependents enrollment in that coverage	Employer for self-funded plans	IRS (and copy of information sent to Individual)
Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns	1094-C	Transmittal form filed with Form 1095-C from the insurer to the IRS	Employer for self-funded plans	IRS

Internet Middlemen and the Fitness Industry

By: Stephen Tharrett and Mark Williamson

Part I

Publisher's Note: This is the first article in a 3-part series on the increasingly important issue of "Internet Middlemen." This first article will give you an overview of the topic and discuss two of the four primary services that are on the market in the United States.

• • •

In the mid-1940s Joseph Schumpeter, renowned economist and author said:

"Situations emerge in the process of creative destruction in which many firms have to perish that nevertheless would be able to live on vigorously and usefully if they could weather a particular storm."

Click forward 70 years and his words could not ring truer. Today's business world has been turned on its head by the newest capitalistic storm: digital middlemen. From food delivery (e.g., GrubHub, U.S. and Just Eat, U.K.) to dining (e.g., Open Table) to lodging (e.g., Airbnb) to massage (e.g., Soothe and Zeel) to ride sharing (e.g., Uber and Lyft) to fast cash delivery (e.g., Nimbl) and now fitness facility access (e.g., ClassPass and Fit Reserve), digital middlemen, or as they are more commonly referred to, *Internet Middlemen*, have changed the way consumers shop and buyers sell. It's a storm that is driving many traditional businesses to the brink of extinction while making millionaires of the middlemen innovators.

What is a Digital Middleman?

A digital middleman is a business that leverages the Internet and worldwide web to offer consumers attractive alternatives to traditional shopping experiences. A good Internet middleman provides added value the traditional producer can't provide and offers a service the consumer desires. For example, Airbnb offers homeowners a virtual platform to market and rent their property while offering a convenient and cost effective means for reserving convenient and affordable lodging that consumers crave.

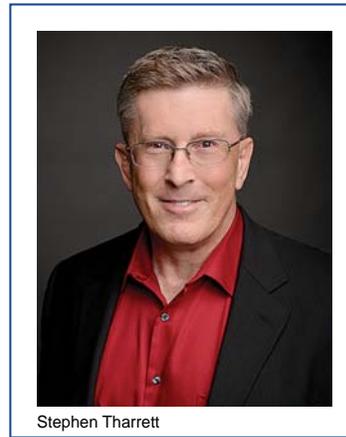
With the emergence and evolution of digital middlemen, such as Airbnb, Amazon, Just Eat, Nimbl, Open Table, Soothe and Uber, comes the billion-dollar question. When is the business relationship between seller, middleman and buyer a symbiotic one that lifts all parties and when does that relationship become parasitic or even

cannibalistic, potentially wiping out a business, or even, an industry? Let's take a look at these three relationship constructs.

Symbiotic Relationships - In this relationship the Internet middleman brings added value to the seller's value proposition (e.g., offers greater convenience) while also helping the seller tap a new source of revenues. The buyer receives something they want, such as greater convenience or a lower price. The middleman benefits by growing their business and generating a profit. A great example of this would be Instacart, which has Whole Foods as a client. Consumers benefit by being able to purchase Whole Foods groceries online and get same-day delivery without leaving their home. Whole Foods benefits by reaching a new audience and driving incremental revenue at little to no extra cost. Instacart earns revenue by marking up the food price to consumers and by charging consumers a nominal fee. Everyone wins!

Parasitic Relationships - In this relationship, the consumer and middleman tend to receive benefit while the seller may or may not benefit. For example, Just Eat, GrubHub and Seamless (note that GrubHub and Seamless are two distinct brands but owned by one entity) benefit the consumer by allowing them to order home-delivery food from a variety of restaurants, hence greater selection and convenience for the consumer. Each of the aforementioned Internet middlemen benefit by receiving a commission that ranges from 12% to 14% of the sale. The seller benefits from gaining new incremental sales but may not generate incremental profit because of the commission paid to the middleman. If the restaurant fails to account for the commission in their marginal costs, then it could result in their losing money on the sale. If the restaurant's profit margin exceeds the cost of the commission paid the Internet middlemen, then it's a symbiotic relationship; however, if the commission exceeds their profit margin, then it becomes a parasitic relationship.

Cannibalistic Relationships - This relationship is an example of Schumpeter's "creative destruction" where new and innovative business models make it impossible for some businesses to survive. In this relationship, one party loses while the others gain benefit. Take Uber for example. The consumer wins through lower prices and greater convenience. Uber wins by generating revenues and profit. Existing car transportation businesses lose because they are at a competitive disadvantage (higher operating costs, government taxes and less convenience). This, of course, is capitalism at its finest, but for those whose industry



Stephen Tharrett



Mark Williamson

is imperiled, it may not seem that way.

Fitness Internet Middlemen

The fitness industry now finds itself entrenched in what has become a digital middleman economy, a march led by U.S. firms ClassPass (classpass.com), Dibs (ondibs.com), Fitreserve (fitreserve.com) and Wildfire (wildfire.life).

According to the *2015 International Fitness Industry Trend Report - What's All the Rage*, released in October of 2015 by the American Council on Exercise (ACE), International Health, Racquet and Sportclub Association (IHRSA) and ClubIntel; approximately 8% of fitness businesses indicated they participate in an Internet middleman-driven program, up from 3% in 2013. In this same report, it showed that, among boutique fitness studios (e.g., micro-gyms), approximately 19% reported engaging in an Internet middleman-driven program, while 13% of traditional commercial clubs reported they engaged in an Internet middleman-driven program.

ClassPass

The market leader and the first to really introduce the fitness industry to the digital middleman phenomena is ClassPass, originally branded as Classtivity. ClassPass extends fitness consumers a subscription (membership) giving them the opportunity to engage in unlimited fitness classes or gym visits each week at over 7,500 studios around the globe for between \$79 and \$125 USD a month (price varies by market). Presently, ClassPass has a presence in over 36 markets, including the U.S., Australia, Canada and the U.K. In April of 2015, they bought competitor FitMob to further extend their reach. According to an article in the February 2015 edition of techcrunch.com, ClassPass is booking over 1.5 million reservations a month. As of December 2015, those numbers

had grown significantly as the company pursues its goal of being in at least 100 markets in the next year. According to the recently completed *2015 Fitness Studio Operating and Financial Benchmarking Report*, conducted by the Association of Fitness Studios (AFS), approximately 13.5% of studios reported participating in ClassPass.

According to its Founder, ClassPass is a monthly membership subscription that extends consumers a unique opportunity to work out at multiple clubs and studios, and for operators, brings them enhanced market awareness, new client traffic, the possibility of obtaining new members, and of course, incremental revenue growth. As its Head of Global Business relayed to us in a recent interview, the company's overarching goal is to spur the growth of the boutique studio industry by introducing consumers to the boutique studio experience. In addition to growing the industry, their Head of Global Business indicated the core of their business involves getting more consumers into classes, and thereby, improving the operating productivity of their partner studios. By purchasing a membership subscription for \$79 to \$125 a month (\$99 in most markets), a consumer can go online and reserve a spot in a class from among various clubs/studios (e.g., barre, cycling, dance, HIIT, Pilates and yoga) in their market. The only caveat for the consumer is they are limited to three visits at any one studio or club over the course of a month. For a more in-depth report about ClassPass, go to bit.ly/clubinsider14.

Wildfire

Since ClassPass first entered the market, more start-up Internet middlemen have entered the fray. The first of these in the U.S. is a firm based out of the San Diego, California originally called FitN and since rebranded as Wildfire. (See *Internet Middlemen Page 24*)

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Music Licensing And An ASCAP Scam

By: Mike Manning

A few weeks ago, the CEO of one of my clients called to ask about ASCAP and whether he needed to pay the \$1,200 to \$1,300 per club per year for music licensing that they were demanding from him in an increasingly threatening way. That question brought back memories for me, and I'm sure many of you have had similar conversations with ASCAP, BMI and/or SESAC. I'm going to use this article to lay out the basic facts of music licensing and give you a couple hints that might help you save some money.

IHRSA.org has a good briefing paper on music licensing that details the basic facts. But, it doesn't really delve into the amounts that club owners should be paying. ASCAP, BMI and SESAC are three organizations that represent composers and publishers of music. Federal Law gives composers and publishers copyright protection for their work when it is played in a public location, and the composer and publisher of each song can select any one of the three organizations to license the rights to each of their individual songs. Composers and publishers also have the ability to switch organizations, so it is almost impossible to nail down which organization has the rights to license which songs, and it probably won't be the same next month as it is this month.

If you play any background music in your club, even if it is only a television commercial jingle, or if you do any type of class where music is used, to remain in compliance with Federal copyright law, you'll need to obtain music licenses from ASCAP, BMI and SESAC. If you use cardio-theater or anything similar, or if you have cardio equipment with an individual television screen, you need a music license from ASCAP, BMI, and SESAC even if your members need their own headphones to hear the audio. As a practical matter, if you pay one of the organizations, you'll eventually end up paying all three, and

Federal courts have a lot of sympathy for composers and publishers, so ASCAP, BMI and SESAC have a very good record in court when businesses who should be paying licensing fees don't settle on an arrangement.

Most start-up club owners aren't aware that they need to pay for music licensing, and many fly under the radar for years before one of the three licensing organizations discovers them. Once one of the organizations discovers you, it will begin to call and maybe send letters asking, and then demanding, that you obtain a license from them. At that point, the fun really begins. If you don't agree to pay what is owed for the current year's license, they may threaten to file a lawsuit against you to collect license fees from past years, too.

When my client asked me about ASCAP, my answer was, "Yes, you'll need to pay them, but the amount they are proposing sounds really high to me based on my experience with them." And, the people trying to collect fees for the licensing organizations are often paid a percentage of the collected fees. My client has several clubs that run about 10,000 square feet, and they do spin, group exercise and yoga classes, play ambient music and also have some cardio equipment with individual television screens. ASCAP was telling my client that, based on the number of speakers he had in the clubs, he owed \$1,200 to \$1,300 per club per year and that it was impossible to negotiate the amount of the fee.

What ASCAP wasn't telling my client is that they have over 100 price schedules and often charge large, multi-purpose clubs with many more speakers, members and group classes than my client less than \$400 per club per year. ASCAP's website states that, "similarly situated users should be treated similarly," as that, "assures fairness and consistency in our licensing," and to me, that also implies that they don't charge the little guys

significantly more per club than billion dollar revenue club chains. After making a couple of quick calls to friends who work at top 20 club chains, I was able to confirm that they paid less than \$400 per club per year to ASCAP, and each of these chains easily has more speakers per club than my client with 10,000 square-foot clubs. I have no way of knowing, but I'd be surprised if any top 20 chain of clubs was paying over \$500 per club.

BMI charges health clubs based on the total number of members, and the rate per member varies based on what types of music and television/radio are being used in the club. BMI also offers discounts of up to 20% based on the number of clubs an operator has, so larger operators get a small break. Generally, BMI's fee structure makes more sense to me than ASCAP's, and BMI asks clubs to report members to them on an annual basis. For those of you already paying BMI, there is one wrinkle to consider regarding member count. Do you report the total members in your club, the total paying members of your club, or if like many clubs, 30 to 50% of your members never check in, do you only report the number of members actively using your club? It is difficult for me to see why a license fee would be owed for members who don't actually use the club, but I can see some contentious conversations with BMI for an operator who gets aggressive with member counts. I don't give legal advice, but if you have a lot of clubs and a good lawyer...

SESAC has a smaller music catalog than ASCAP or BMI, and my experience is that they will normally settle for a fixed annual fee per club that is smaller than the other two providers, often less than \$250.

The conversation with my client has me wondering how many small operators are getting scammed by ASCAP into paying maybe three or four times as much in annual fees as a billion dollar operator that might have a much bigger



Mike Manning

club with more speakers two miles down the road. Fortunately, my client called me, and I had information based on my own experience and the experience of my industry contacts. This is also a good reminder for smaller club owners to network with other owners and people who've been around the industry for a while. You never know when an issue will come up where these contacts might help you save a lot more money over the years than you'll spend attending trade shows. I'll see you at the IHRSA Show in Orlando in March!

(Mike Manning is a former CFO of The Rush Fitness Complex and owns Strategic Advice LLC, a business consulting firm. Manning has extensive experience with corporate boards, private equity transactions, mergers and acquisitions, site selection and lease negotiation. Manning is a member of the National Association of Corporate Directors and Financial Executives International, a former member of the International Council of Shopping Centers and can be reached at manning@strategicadvicellc.com.)

...Internet Middlemen

continued from page 22

Wildfire is similar to ClassPass in that it offers consumers a monthly membership subscription allowing them to register for classes at partner studios and clubs (over 300 partners and 12,000 classes in the San Diego, Orange County and Los Angeles markets) for \$149 a month. Like ClassPass, the fitness consumer benefits from gaining access to a great variety of clubs and studios at price points below the going market rate.

Wildfire's value proposition differs from that of ClassPass and others in a few ways. First, consumers are not

limited to three classes or visits per month per studio; instead they have unlimited access to classes at any of Wildfire's partner studios. Second, Wildfire has been designed specifically for a mobile platform and is available on customary app stores such as iTunes and Google Play. Third, Wildfire contributes a portion of each customer's membership fees to the Boy's and Girl's Clubs of Southern California to support efforts to improve the health of young people in various Southern California communities.

...

In Part II, Steve and Mark will

discuss the other two primary services in the United States, as well as offer tips about how to compare the various services.

(Steve Tharrett and Mark Williamson are veteran club business executives and Co-Founders of ClubIntel, a consulting firm serving the industry worldwide. Steve can be reached at steve@clubintel.com and Mark can be reached at markw@club-intel.com)



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Tips for Success and Being the Best Going for the Triple Play...

By: Karen Woodard

Going for the Triple Play... Creating buy in for the organization's success, increase staff performance and making your job easier and more fulfilling.

As we are in the early stages of 2016, we are implementing our strategic plans that we worked so hard on developing in 2015, and away we go for a successful year! As a manager/leader in your organization, you are clear about what needs to be accomplished to make your strategic plan come alive... but is the staff you lead clear on what needs to be accomplished?

This 2-point tip will allow you to create more *buy-in* for the organization's success, allow your staff to *perform at a higher level* and make your job *easier and more fulfilling*.

Point #1 - If you have not already shared the big picture strategic plan for 2016

with your staff, do so now. The more they understand the bigger picture, the easier it will be for them to understand how they can impact the outcomes of the plan. Some of you may be thinking, "Hmmm... I'm not so comfortable with that. I don't want my staff knowing our strategy for the year. That is proprietary information." My response to that would be: *please, please, please pull your head out of that mindset!* If you trust your staff enough to hire them and take care of your customers, shouldn't they know where you are going as a business? Once they do, everything makes more sense to them in your operations. Not knowing the bigger picture is akin to telling someone to drive from New York to California and withholding a map from them. To get there will take longer and will not be as efficient, effective or pleasant a trip.

Point #2 - Once your staff knows the bigger picture, ask them what they perceive their part to be in successfully achieving the intended results of the plan. When they

articulate what that is, then your job as the leader is to make it as simple as possible for them to do just that. For that to happen, ask them the following, "What can I do to help you be the best you can be this year at doing _____ so we all achieve the plan together?" You may ask them for *one thing* you can do to help them, or you might ask them for *two to three things* you can do to help them. By doing so, you are investing in their success as well as the success of achieving the plan.

By utilizing these simple tips, doesn't it make sense that you will be able to create more buy in for the organization's success, allow your staff to perform at a higher level and make your job easier and more fulfilling?

(Karen is President of Premium Performance Training in Boulder, Colorado and Ixtapa, GRO Mexico. She has owned and operated 11 businesses since 1985 and now consults with and



Karen Woodard

trains staff throughout the world on sales, hospitality and leadership. She provides her services on-site, online, by phone and through her books, CDs, DVDs and manuals. She can be contacted at 303-417-0653 or karen@karenwoodard.com)





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AFS Makes Huge Strides in 2015

CHICAGO, IL - The Association of Fitness Studios (AFS) began 2016 by continuing its 2015 momentum based on major accomplishments in a variety of areas, including research, industry relationships and digital development.

The year of 2015 was an incredible year for AFS. As the only membership community dedicated solely to the business of fitness studios, AFS made great strides in bringing products, services and benefits to the fastest growing fitness market segment.

Here are some of the AFS 2015 highlights, made possible by contributions from scores of organizations, executives, fitness professionals, and companies. AFS thanks them all.

Leadership Position in the Fitness Industry - The continuing acceptance of AFS as the voice of the studio community, and the resulting leadership role AFS plays, leads the 2015 list of accomplishments. Understanding the AFS mission, believing in the cause and supporting the AFS Code of Conduct was demonstrated in increased media presence, organic activity and a broader scope of achievement.

New, Improved and More Interactive afsfitness.com - By the end of 2015, the nearly 6-month effort of redesigning the AFS website was complete with the new site launching in early December. Featuring heightened interactivity, greater clarity of mission and enhanced navigational ease, the site is perfectly positioned to embrace both organic and driven traffic.

Market Research - In 2015, AFS addressed the huge industry need for quality studio business data by completing the first-ever research, *2015 Studio Operations & Financial Benchmarking Study*. The study's final report identified key business metrics, national norms and helpful insights to provide tools for studio operators and developers to enhance profitability.

Vendor Lead Generation Program - AFS addressed the delicate issue of developing leads for supporting vendors while protecting the integrity of the AFS membership with the implementation in late 2015 of the AFS Vendor Lead Generation Program. This initiative connects vendors with the studio market in a voluntary, educationally-driven program. In the first month of the program, over 300 leads were distributed to qualifying companies.

Business Education Events - Bringing quality business education to the studio segment of the fitness industry, without an ulterior sales motive, was an AFS 2015 priority objective. We began that

initiative with:

- Alloy Personal Training Solutions Roundtable in March, where AFS's sponsorship stimulated discussion and identified issues that were addressed later in the year;
- Club Industry Show, where AFS provided a full day and a half of business education seminars specifically dedicated to studio owners and developers;
- National Strength & Conditioning Association Personal Trainers Conference, where AFS was so well received that an invitation for 2016 has already been accepted, and;
- Continuing Education Credits were again applied to the AFS series of seminars at Club Industry and for AFS' exclusive eBook, *STUDIO SUCCESS*.

Industry Alliances - A key to AFS' 2015 success is the support from so many industry organizations that actively and aggressively supported our launch and development:

- Founding Alliance partners SPRI Products, SFIC Insurance, and the American Council on Exercise (ACE) were instrumental in AFS' creation and development.
- Over 30 additional leading companies joined in including Precor, MERRITHEW, Life Fitness, Core/Schwinn, Main Street Hub and Heart Zones, among many.

Membership & Outreach - The essence and ultimate success of any trade association is its ability to be relevant to its constituents, as evidenced by internal support. In 2015, AFS:

- Grew its opt-in database to over 11,000 subscribers;
- Created the framework for substantial membership growth with a restructured program featuring Basic and Premier membership categories;
- Provided studio owners and fitness professionals with a business-focused educational blog, roundtables and over 100 exclusive articles focused on marketing, business operations, insurance, finance, and more; and,
- Upgraded the AFS monthly e-Newsletter connecting the studio community.

Expanded Advisory Council - To address the variances in the needs of fitness studios as segmented by discipline (Pilates, personal training, HIIT, yoga, indoor cycling, etc.). AFS expanded its Advisory Council with the addition of John Macgowan, John Garey, Dr. Kevin Steele and Frank Nash, all bringing an unsurpassed level of expertise along with a selfless desire to contribute to the success of every AFS member.

Increased Focus on Advocacy - With growth and increased strength in 2015, the AFS Community became more focused on Advocacy issues surrounding the industry. Organizationally, AFS participated with Sports & Fitness Industry Association (SFIA), PHIT America and C-REP to addresses issues of regulation, participation, tax and obesity.

Business Education Guides - Providing high-level, how-to tools for studio business success continued as a high priority for AFS in 2015, as evidenced by the publication of eight new business guides:

- Finding, Hiring, and On-Boarding the Right Talent for Your Studio*;
- One Studio Generated 150 Leads in One Month - Here's How You Can Too!*;
- How to Build a Business Plan and Financial Forecast*;
- Stories of Success from Studio Owners Across the Country*;
- Top Ways to Drive Traffic to Your Fitness Business*;
- Ten Tips for Designing a Dynamic and Functional Fitness Studio*;
- Understanding Insurance - What You Need to Know*; and
- Top 10 Behaviors to Avoid as a Studio Owner*.

Outlook for 2016 - Major initiatives already in various stages of development for 2016, include:

- Membership** - Launch of the new AFS membership structure featuring Basic and Premier levels;
- Marketing** - Aggressive digital marketing strategy to further increase the brand awareness of AFS to the masses;
- Online Education** - A full curriculum of business education including CECs and CEUs;
- Research** - The first-ever Marketing Research project that will identify and examine the most successful studio marketing strategies and tactics;
- Research** - Year two of the *AFS Operations & Financial Benchmarking Research*;
- Business Education** - Two NSCA appearances (National Conference and Personal Training Conference);
- Business Education** - Club Industry 2016;
- Educational Programs**: AFS/Trainer Elite Network *Hydration & Retention Program*; AFS/Schwinn *Indoor Cycling Educational Program*; AFS/Precor *Keys to Successful Training Content Marketing and AFS/Go Daddy Get Online Start Up Package*.

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New Year's Resolutions or ALL-IN?

By: Jarod Cogswell

For most of us fitness pros, exercise is a priority in our lives. In fact, a day without training is like a dragon slayer without battle. It can be a little depressing. Even our recovery days are much more mentally challenging to be at our very best, and that's why what we do for a living is so awesome... Changing and enhancing lives!

So I ask... Are you **ALL-IN** to truly impact the lives of your members and clients in 2016?

Let's face it. Most people don't view fitness as we do. It's hard. It's time consuming. It's painful. It's intimidating, and this list of excuses to maximize their lives goes on. As fitness operators, this is the time of the year where most of us get the most business (duh), and "Resolution Season" is now in full throttle. With that said, I'm begging each of you to dig deep and ensure you *fully connect* with those members who are back in your club, gym or studio. And by *connect*, I mean *educate, motivate and inspire!*

It's going to take discipline, and it's going to be challenging. But, IF you are **ALL-IN** and fully wish to live your purpose as a fitness professional, here's a list of ideas that can help convert resolutions into lifestyles for your members:

1. Market your personal training staff. Offer 1-2 *complimentary* sessions to help your members and clients get back on track and safely re-implement exercise back into their lives. January is filled with many people attempting to start back at the same intensity or volume before they quit working out, and thus, more injuries, or worse, can occur. Ensure members "earn their exercise" and recognize their

progress as they go. Small victories along the way can be very motivating to continue the path.

2. Promote your group exercise programs and instructors. Encourage your staff to introduce participants to one another. Create a team-like atmosphere and build connections. Relationships and group fitness are powerful and help participants remain more consistent and accountable. It's not solely the exercise plan that keeps people coming back... *It's your people!*

3. Develop programs specifically for the inconsistent exerciser. Transformations, and other support-specific programs, connect like-minded individuals and can provide the coaching and the tools to get clients moving more towards a lifestyle and exceeding their resolutions. Teach these individuals the fundamentals of a fit and healthy life, stay in contact with them outside of the facility as much as you do when they are in it, provide group fitness classes designed exclusively for them and consider a private Facebook page for their group so that they can interact with one another. This approach positively impacts the majority of the fitness users in our facilities. Sincerely support them.

4. Review your member and client service initiatives with all of your team members. Culture and environment is number one when creating a life of fitness. If your clientele feels *valued, welcomed and your facility is their home away from home*, they will then be more likely to continue their fitness journey vs. their short-term resolutions. Stress to all staff positions that they **ALL** are in the life changing process!

5. Get Back in the Trenches! Culture starts at the top, and as a fitness leader, YOU must be the one to educate, motivate and inspire. This is the time of year for us to show your team and clients that you are without a doubt **ALL-IN!** Here are some examples:

•*Be visible at your main service desk.* Heck, schedule yourself for a shift or two per week. Dig deep on getting to know your members and demonstrate to your team that you can actually do the job that you ask them to do. Do NOT spend the majority of your time back in an office. **ALL-IN.**

•*Coach a class or two.* Lead by example. If you truly want to educate, motivate and inspire, this is your chance! Those of us who do will always beat the guys and gals who don't. **ALL-IN.**

•*Pay attention to your facility and environment.* Details matter. Music matters. Volume and type of music matters. Surgically clean facilities are paramount. Fully operational equipment is vital. Operating a dysfunctional dirty facility in NOT going to keep people coming back. **ALL-IN.**

•*Create a theme that is motivating and encourages positivity for your team and members.* Positive messages are very effective for developing a unique culture, and a strong mindset is just as important as physical conditioning... if not more. What's your Word of the Week (WOW)? **ALL-IN.**

•*Provide fitness education and share trends.* Our industry is evolving more



Jarod Cogswell

rapidly than I can ever remember, and we must give what we learn. I'm not sure why so many trainers are cautious about sharing what they know without a client paying for it. If you're that good, give it away and get more business! **ALL-IN.**

The fact is there is SO much more we can do to influence the masses during resolution season. Let's be game changers. Let's not wait around for facility usage to die down. Let's make this the year that new success stories begin and resolutions become lifestyles.

Go ALL-IN in 2016 and watch your members thrive and YOU and your business grow!

(Jarod Cogswell is the Founder of Enterprise Athlete fitness business coaching services and Oregon's first hybrid fitness facility, FIT Academy, located in Portland, OR. Jarod is also the author of "WORK like an Athlete... Championship Training 4 the Game of Business," a professional speaker, as well as a Platinum Business Coach for the Todd Durkin Mastermind.)

Perception IS Reality

By: Jon Butts

Let's use our imagination a little bit. Imagine you are presented with three different offers you can choose from to make a purchase: **Offer A** is for 50% OFF. **Offer B** is for 75% OFF. **Offer C** is for 95% OFF.

Which one of these offers do you want? I'm guessing nobody chose the 50% off, and everyone wanted the 95% off. Am I right?

What if I told you the examples above are enrollment offers for different health clubs in your town? Here is a little more info on each offer:

•50% off. This deal is 50% off enrollment, which normally costs \$50.

•75% off. This deal is 75% off enrollment, which normally costs \$100.

•95% off. This deal is 95% off enrollment, which normally costs \$100. In addition, there is a \$20 processing fee.

As it turns out, **the real cost is the exact same for each offer.** Each club will collect \$25 from the prospect under each scenario. What is not the same between the offers is the *perceived value.*

Everyone perceives the 95% off option to have the most value, thus making it the one they would be the most likely to respond to and generate the highest response. If you also added in the savings next to each in a starburst, this effect would be magnified even more. Obviously, everyone would be chomping at the bit to

save \$95 vs. \$25. Why is this?

There is a phenomenon in psychology called the *anchoring effect*. Basically, this is the human tendency to rely too heavily (anchor) on one piece of information when making decisions. Buying a car is a great example of how this works. If you see a car with a sticker price of \$40,000, that becomes the anchor value in your mind, and you believe it is a \$40,000 car. If the dealer offers \$5,000 off, you feel like you are getting a great deal and drive it off the lot with a smile on your face. However, if the dealer had the exact same car with a sticker price of \$36,000 and only came down \$1,000 off the price, you would not feel as good about the deal you are getting and are much less likely to buy the car on the spot.

The anchoring effect is an important concept to keep in mind and apply to your marketing. *There are many ways you can alter your marketing to increase the perceived value to your prospects without having to give away any more than you already are.* If a prospect perceives they are receiving a great deal, they will be much more likely to respond. The real value and what you perceive the value to be are not nearly as important. Take a step back and think of your marketing offers and messaging from a prospect's perspective; do everything you can to increase the perceived value, and your response rate will increase.

(Jon Butts is the Founder and President of Muscle Up Marketing. Visit www.muscleupmarketing.com.)

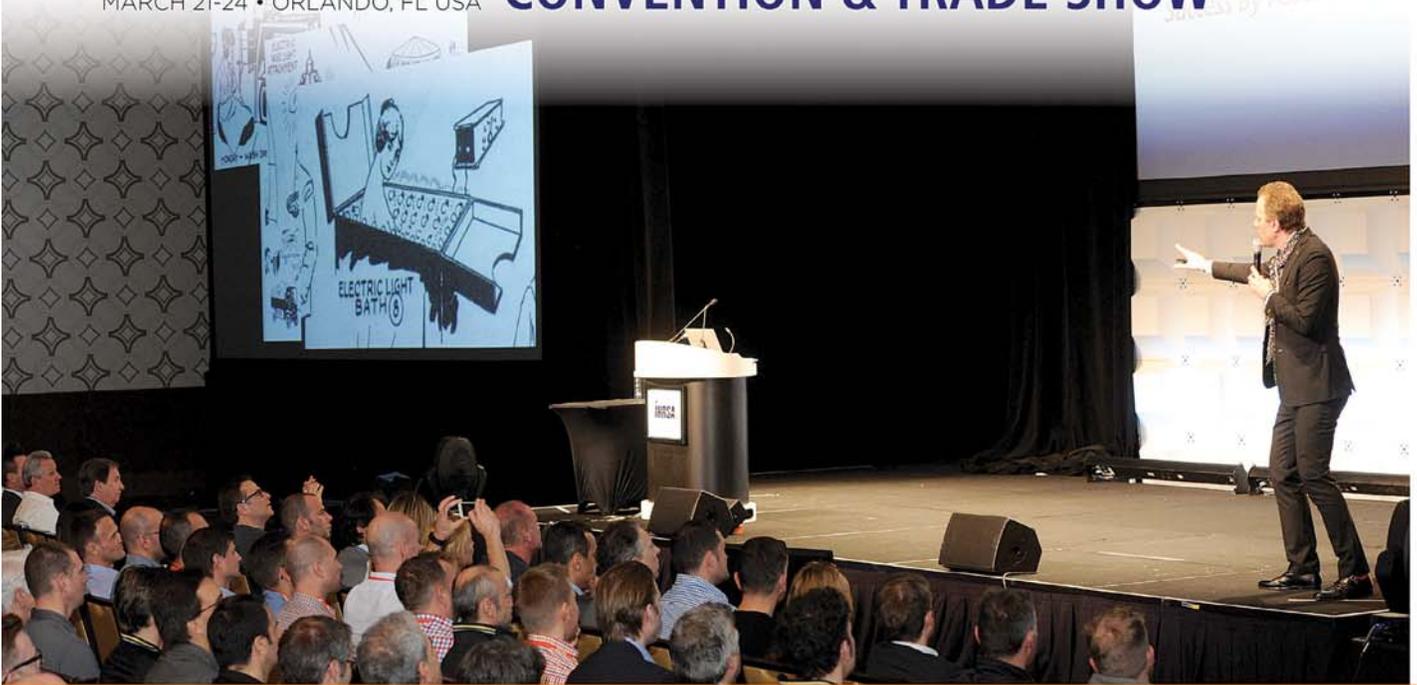
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The evidence of the concentrated efforts of IHRSA clubs around the world focusing on bringing wellness to each individual community was inspiring.”

– Mary Lynch, Cedardale Health and Fitness, Haverhill, Massachusetts USA

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Programming For The “Fun Of It!”

Seven Steps to Becoming a Programming Professional

By: Laurie Cingle, M.Ed.

In the realm of fitness and wellness programming, nothing is more fun and satisfying than a successful program. Whether success is measured by participation or by profit, all programs require the right number of people enrolled and engaged.

If you are going to be involved in programming in a fitness and wellness center, commit to being a professional. The definition of a programming professional is a person who is an expert at the skills required to implement and fill programs.

Here is an overview of the seven skills necessary for creating successful program sales and becoming a programming professional. Future

articles will focus on each of these skills individually, providing details and insights.

1. Find program prospects - Finding people to talk to about the program is one of the core skills of a professional. Start with a written list of all categories of people to target. Make a focused commitment *to never stop adding to the list.*

2. Invite prospects to learn about and understand your program - Once program prospects are identified, the next skill is to properly invite them to find out more about your program. The initial objective is to educate on what the program can offer.

3. Present the program - Professionals bring passion, enthusiasm, excitement and belief to a program presentation. Best

practices show presentations are more effective and result in higher enrollments when delivered in a group setting.

4. Follow up with program prospects - The primary reason to have a follow-up exposure with a program prospect is to set up the next exposure, and the next, until they either enroll in the program or tell you they are not interested. The goal with each exposure is education and understanding. It may take an average of 4 - 6 exposures for them to make a decision.

5. Enroll them in the program - The consequence of following up professionally is program enrollment. Rather than trying to “sign them up,” focus on the goal of education and understanding to help your prospect come to a decision that will positively affect them.

6. Ensure they are successful in the program - Set up a “Game Plan” interview with each participant at the program’s outset to validate their enrollment decision, set realistic expectations and create a checklist of items for them to commit to or accomplish.

7. Grow your programs by promoting events and additional programs - Technology helps us connect with people efficiently, but nothing replaces face-to-face interaction. Meeting people one-on-one, in small groups or at larger club-



Laurie Cingle

hosted events will have a big impact on long-term program success.

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

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Thanks and Appreciation

At CLUB INSIDER, we are excited to be in our 23rd Year of this home-based health and fitness club trade newspaper! The thought that this newspaper was founded to serve an industry I truly love, and so that I could become a Mister Mom for my son, Justin, is still intriguing and amazing to us. I wish to extend our most sincere Thanks and Appreciation to everyone that's made this amazing 23-year run possible.

A very sincere Thanks and Appreciation go to Rick Caro, Dr. Gerry Faust and the Faust Executive Roundtable #1 for helping me decide in 1993 what my home-based business would be. Thanks and Appreciation to my long-time friends, Ron Hudspeth and Cathy Miller of Atlanta's Hudspeth Report for the tremendous assistance they provided us during our first 8 years of publication. Thanks and Appreciation to all of the folks at Walton Press in Monroe, Georgia. They've done an absolutely excellent job for us all these years and have printed every one of our 265 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 21 years advertising with us! We also want to say sincere Thanks and Appreciation to all of our CLUB INSIDER Contributing Authors, past and present, who've contributed hundreds and hundreds of excellent articles to help our readers with their Best Business Practices. Thanks and Appreciation to IHRSA for all it does.

Sincere Thanks and Appreciation to my son, Justin, who started working part-time for CLUB INSIDER when he was just 8 years old (helping with mailings). This young man, pretty much behind the scenes for 23 years now, has truly been a fantastic partner for his Dad in CLUB INSIDER. Justin does our editing, publication layouts, all of our website design and maintenance, all of our bookkeeping and subscription processing work, as well as archive management and anything else that needs doing, including writing eight cover stories per year.

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

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

Norm Cates, Jr.

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