

Norm Cates' **CLUB INSIDER**TM

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

KUSHH!™

The New *Sound* of Exercise!

By: Norm Cates

I am pleased to start the New Year off with a special story about KUSHH!™, a new product launching this month by my former business partner, Ray Irwin. Irwin along with Rich Boggs, another of my former business partners, and a few others started what became The STEP Company in 1989. The STEP Company's product, The Original STEP®, has gone on to become one of the most successful fitness products of the last 25 years. The STEP® is ubiquitous in health and fitness facilities around the world.

Irwin, along with Gin Miller, the creator of Step Aerobics, teamed up to

produce KUSHH!™, a new product that shares some of its DNA with The STEP®.

In preparation for this cover story, I enjoyed spending some time catching up with my long-time friend and former partner, Ray Irwin, at their Marietta, Georgia STEP Company and MOSSA Headquarters. In this cover story, we will discuss the invention of The Original STEP® and its evolution into the KUSHH!™, launching this month.

You will also hear from Gin Miller, the inventor of the STEP training concept, as she will share her thoughts after having taught quite a few classes using the new KUSHH!™. Finally, Gin has introduced me to some of the clients

she has taught the new KUSHH!™ classes to at the fabulous LifeTime Fitness facility in Woodstock, Georgia, and you will hear from them as well.

CLUB INSIDER is pleased to bring you the story of KUSHH!™, and I invite you to read on as we begin with an interview with Ray Irwin.

**An Interview With Ray Irwin,
Principal of The STEP Company
and Step Fitness & Recreation, Inc.**

CLUB INSIDER (C.I.) - When, where and how did you get involved in the health and fitness club industry?

RI - Upon arriving in Atlanta after college

at Southern Illinois University and securing a job at a local CPA firm, I continued to play both handball and racquetball. For an accountant fresh out of college, working at a CPA firm is a great way to get real world experience. Our audits typically lasted from one to four weeks, so I got to see lots of different businesses and industries.

I read an article in *Handball Magazine* --yes, handball had a magazine-- about the first racquetball club that had opened for business in California. This was like a light bulb turning on in my head. The idea of making racquetball a business began to grow in my mind.

I continued to work my day
(See *KUSHH!™* Page 12)

You Risk Everything You Have To Create A New Business!

By: Thomas Plummer

You raise money, build your vision, take the risk of being in business, and yet, nowhere has anyone guaranteed you will make this dream a financial success this time. Yet, when the business struggles, we often get angry at the universe because there is always a sense of entitlement within us; since we took the risk, we should be *entitled* to succeed. *Not so.*

This sense of entitlement often masks the *real issue*. The *real issue* is the business *never had a chance* to be successful in the first place! Often, our *vision* of this business just doesn't match what the consumer wants to buy. While this seems so irritatingly obvious, this is

why so many fitness businesses, along with thousands of other small businesses in this country, continue to fail year-after-year. You simply built something that no one wants to buy.

The majority of these failures are actually very much alike, although each one may be from a *different* industry. These failures often represent someone trying to copy a successful business too late in that business' lifecycle timeline for success. Put another way, being the 50th person to copy Curves back in the '90s probably didn't turn out too well, as will copying the \$10 model 20+ years after its inception will turn out to be too late.

Every business concept has a lifecycle. There is a long slow growth

period, there is a rapid growth phase as the new business concept takes off and there is a long, and sometimes, but not always, slow, decline period. This is called, the "S Curve Theory," and it can be applied to most business concepts. But, it works particularly well for the fitness industry.

Used wisely, the S Curve is the modern equivalent of having someone back in the day read your tea leaves to predict your future. The numbers in business simply never lie. But, our emotional connection, maybe this sense of, "I built the damn thing, and of course my idea/business concept is what the consumer wants!" entitlement mentality blocks our ability to see the future that's so clearly

(See *Thomas Plummer* Page 6)



Thomas Plummer

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Norm's Notes

•Happy, Healthy New Year, everybody! This is your CLUB INSIDER Publisher and Tribal Leader Since 1993 checking in!

•Is America a great country, or what? By the time you receive this in the mail, we will have a new President of the United States of America. Please join me in saying a little prayer for America and our new President, as we move into this New Year.

•As has become our annual practice in our January CLUB INSIDER editions, we remember those we lost during the previous year. Here's the 2016 list of people our industry lost forever.

Mrs. FRANCES CIRULLI, the Mother of the one and only JOE CIRULLI, in Gainesville, Florida, passed away on July 2, 2016. May Mrs. FRANCES CIRULLI Rest In Peace.

RICHARD REED, the Founder of ASF International, passed away on August 26, 2016. Reed was one of our industry's true pioneers, starting way back in 1973 when he opened his first martial arts studios. May RICHARD REED Rest In Peace.

MS. JOYCE J. CAMMILLERI, the Mother of GUY, MARCUS and LEO CAMMILLERI, and the Owner and Chairwoman of World Gym International, LLC (WGI), passed away on September 10, 2016. May JOYCE

CAMMILLERI Rest In Peace.

•A belated Happy Birthday to Big JOHN McCARTHY, who celebrated his 80th Birthday on December 23rd, 2016. Happy Birthday Big John! IHRSA's JOHN McCARTHY Industry Visionary Award is given to a company or individual who has made an unprecedented or unique contribution to the advancement of the industry as a whole, and it's one of two of IHRSA's most prestigious awards named after John, along with the JOHN McCARTHY MERIT SCHOLARSHIP, which is awarded to someone who has demonstrated passion and an absolute commitment to the industry's future.

•Congratulations to RED and EMMA LERILLE in Lafayette, Louisiana, as they celebrate the 54th Anniversary of RED's after another a great year of operation. Red's is a place that truly has risen to institutional status... with 54 years in business, over 200,000 square feet under roof on 20 acres, 3 swimming pools, 20 tennis courts, 4 racquetball courts and lots and lots of good will... have made Red Lerille's Club, in the opinion of this author, the BEST HEALTH CLUB IN THE WORLD! Happy 54th Birthday to Red, Emma and all at Red's!

•Congratulations to ELAINE "LaLa" LaLANNE, the former wife, and now widow, of my late friend, the legendary JACK LaLANNE, as she's celebrating

her 90th Birthday by lifting weights and doing push-ups! We exchange Christmas cards every year, and her card this year was really special showing her in action doing push-ups! Happy Birthday, LaLa! AND Congratulations! I know Jack is proud of you, and so am I!

•DARON "ROCKETMAN" ALLEN, CEO of Visual Fitness Planner (VFP), sent out an email in which he recalled what a great year 2016 was for VFP. Just in case you missed that, I want to echo it here so you know what Daron and his VFP Team achieved last year. First, it was just great that Visual Fitness Planner was honored by IHRSA with its Associate Member of the Year Award! IHRSA produced and presented a really well done IHRSA video about the honor (bit.ly/clubinsider26). Congratulations to Daron and MARIO BRAVOMALO and Team VFP on their very special IHRSA honor. He went on to mention that VFP had successfully launched VFPnext, the Complete Member Engagement System (bit.ly/clubinsider27). He also added that they were thankful that VFP had engaged in much deeper integration with JIM BOTTIN's great company, ABC Financial. Daron also mentioned he was thankful for their opportunity to conduct the largest research study ever in the fitness industry validating the impact of VFP technology (bit.ly/clubinsider28). Finally, Daron mentioned he was glad they were able to donate to five not-for-profit



Norm Cates

charities during 2016. Congratulations Daron and Team, and may 2017 be even better!

•IHRSA's 36 and Counting! WOW! It's hard to believe we'll be at our 36th Annual IHRSA Convention and Trade Show in Los Angeles in just two months! We've bought our airline tickets and booked our rooms. Have you? The Keynote Speakers and Topics this year are: SETH MATTISON - *Relationship Revolution: Building Better Connections in the Digital Age*; JOHNNY EARLE - *Viral Business: Inspiring Customer Loyalty*; MARTIN LINDSTROM - *Forget BIG Data - Small Data Defines the Future*; and SORAYA DARABI - *Creating & Maintaining* (See Norm's Notes Page 7)

About Club Insider

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24 Years and Counting!

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A Letter From IHRSA President & CEO, Joe Moore

The year 2016 was a whirlwind, and we at IHRSA couldn't be more glad to have spent it with all of you, growing the fitness industry and helping to make the world a more active, healthy place!

In this spirit of our mission to grow, protect and promote the industry, IHRSA has created several opportunities for members to get involved and give back. Your generous contributions can be made easily online and to the causes that are closest to the heart of your club.

The IHRSA Foundation is a 501(c)3 charitable organization established in 2012. The IHRSA Foundation relies on donations to help promote health through exercise by funding ACCESS Health initiatives including Cancer Care,

Diabetes, Inclusive Fitness, and Chronic Disease. The IHRSA Foundation will accept donations directly, or through a partnership with Amazon Smile. Simply choose the IHRSA Foundation as your charity of choice and Amazon Smile will donate on your behalf every time you shop on Amazon.com.

The Industry Leadership Council (ILC) is a leadership group whose mission is to fund IHRSA's advocacy efforts. Specifically, IHRSA protects clubs from legislation and taxes that could seriously hurt club operations and profits. IHRSA works to grow your business by creating and supporting policies that encourage physical activity and health club membership. To join the ILC, please

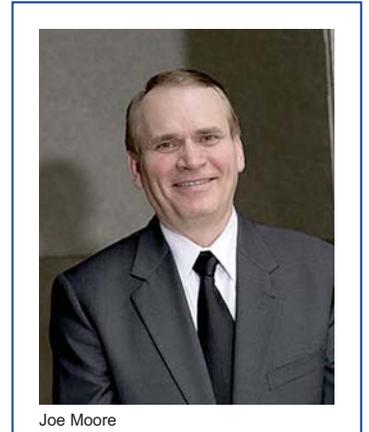
contact **Meredith Poppler** at (800) 228 - 4772, Ext. 129 or mpoppler@ihrsa.org.

Education has always been a cornerstone for IHRSA and its members, and *The IHRSA Institute* is the pinnacle of this offering. Two scholarships have been created to give two deserving fitness industry leaders the chance to attend the IHRSA Institute in 2017. Scholarship donations can be made to the *John McCarthy Merit Scholarship* and *The Curt & Jane Beusman Institute Scholarship*.

In this season of giving, we appreciate all your efforts to support and grow the industry!

Thanks for a wonderful 2016!

-Joe Moore and the IHRSA Staff



Joe Moore

...Thomas Plummer

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directly in front of us.

Take a look at the computer industry as an example. Up until 1984, it was estimated that only about 1 - 3% of the population in this country had computers. In 1984, the famous Apple ad, the rage against "Big Brother" was shown and changed the course of computer marketing forever. From 1984 - 89, the number of people with computers rose to 15%. It wasn't until 1997 that at least 30% of the people in the U.S. had computers.

BUT, from 1997 on, the computer industry took off and more than doubled in just ten years. Since about 2007, when it was estimated that about 85% of the people in this country had access to a computer, computer sales have flat-lined, and now, have started to decline. The old school, box computer that lived under your desk is fading rapidly, and even laptops, the desktop computer killer, are starting to fade as they are replaced by tablets and new generation smartphones.

In summary, there was a long slow growth from the 50s through the mid 90s, a rapid growth phase that more than doubled in less than 10 years, and now we have that long slow decline as this product/concept, a box computer, fades away, replaced by a better and more efficient idea.

What has this to do with our industry? The S Curve Theory is why the mainstream, big box gym is on the going extinct list and why the training gym, or training-centric mainstream hybrid, is replacing this failing concept.

The mainstream, all-purpose, be everything to everybody, fitness facility started slow in this country in the 1930 and '40s, built through the '60s, had its Apple commercial minute in the early '70s with the arrival of Nautilus, went through a fast and furious growth phase in the '90s and during the first decade of the 2000s,

and then flatlined, followed by the present decline phase.

In other words, the mainstream box fitness facility has run its course as a concept and is dying. There isn't a damn thing anyone can do about it unless the concept is reinvented. A few pioneers are letting their chains evolve (change is possible, but it's hard to get leadership locked into the vision of what they built and own to admit their baby is ugly and no one wants to babysit it) or if nothing changes, then this concept simply goes the way of the pager and Palm Pilot; they were brilliant ideas back in the day, but they have now been replaced by the next big thing that will destroy the older technology.

What we don't understand is that the training gym and its close sibling, the hybrid mainstream training facility (think \$19 base membership, but with over 40% of its membership paying more for some type of coaching/training/group experience), are on a separate S Curve altogether and are not affected by the mainstream curve evolution.

The modern training gym did not begin until 1996. Its long, slow growth period lasted until just a few years ago, and we are now just starting that decade-long growth period. This category of gym is to mainstream fitness as the smartphone was to the pager... *a killer with no defense*.

So, what does this mean to us for the future? What will the industry look like during the next ten years? Here are a few basic ideas as to where we are headed in the future, not just domestically, but worldwide, too:

- The low-price guys will just keep going lower. *You cannot, no matter what you believe, defend a business on price alone, because no matter how low you go, someone will be crazy enough to go lower.* This was a fallacy in the first \$10 model as everyone bragged that they owned the bottom. Now, look for \$5 per person, or cheaper, memberships in the next few

years. This will be a tough category to compete in since everyone knows that, when the cannibals run out of tourists to eat, they then start eating other cannibals. Look for a price war within a price war as they attempt to kill each other.

- The hybrid, mainstream training-centric facility has life.* This is where you can show low but average high. There are chains and franchises already looking at this, and during the next few years, you will see a few brave leadership teams take the lead and own this segment before everyone else catches on.

- The first very poor attempts at trying to franchise the training concept have appeared, and they will fail. It is not about the workout, stupid. It is about the coaching experience. If programming was the solution, all the chains that attempted to do functional programming in a back room would have been wildly successful, rather than stumbling. Those chains, along with the new franchise companies emulating training gyms, don't understand that a good training gym is a coaching delivery system and not a magical routine any aerobics diva from the '90s can learn in 15 minutes.

- The third-generation training gyms are going to set the industry on fire. Small gyms in the 6,000 - 10,000 square-foot range are already changing the way you have to compete today. When you see gyms this size doing between a \$1.2 - 2 million a year with fewer than 500 clients, you have to understand that *ding dong the witch is dead* and good luck trying to generate that revenue with 4,000 clients with 12 other competitors in your market chasing the exact same client during the coming years.

- Nutrition is the next big thing. We have done nutrition so poorly in the market for so many years it has been forgotten as a serious revenue component. Yet, this is

changing too. Companies such as Precision Nutrition and DotFit offer solutions that can be used to generate enormous revenue in the gyms. But, we are just now, as an industry, finally ready to listen and learn.

- The restoration of the natural movement will also change our world. We have created an entire generation of clients who look good in a tee shirt but can't tie their shoes without a struggle. Looking good is cool; moving well into your 60s and beyond is everything in life, and we can sell this to the consumer soon. Companies such as Functional Movement Systems are already leading that charge, and it's becoming a hot issue worldwide.

- The death of the \$39 guy in the middle. No one lasts in the middle. S Curve Theory demonstrates that you are on the edge or you die, and anyone trying to cruise down the middle of the pack is going to lose. Look for that category of gym to completely fade away within five years.

What is the future of everything? Maybe it's returning to what made us important to people in the beginning, where the industry existed to help the maximum number of people get into the best shapes of their life in the shortest period of time. At the dawn of the fitness industry, it was all about the coach, and now, it is rapidly becoming about the power of delivering coaching again... and that spells the end of the membership era.

(Thomas Plummer is one of the top gurus in the health and fitness club business world, and he often delivers messages to his clients, and to others he converses with, that they don't want to hear. But, his track record for results for his clients is excellent, and it has given him multiple decades of staying power. Thomas can be reached at thomasplummer@icloud.com)

...Norm's Notes

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Engagement. Other special events include, but are not limited to: **Rick Caro's 21st Annual Financial Panel, Management Vision, Inc.; The Women's Leadership Summit, sponsored by ACE; and the ILC Summit, sponsored by ABC Financial and the ILC Meeting.** For IHRSA Convention and Trade Show information, go to www.ihrsa.org/convention.

• **IHRSA's Trade Show has 350 IHRSA Exhibitors signed up, so this will be another monster show. We want to draw attention to our CLUB INSIDER Advertisers who are exhibiting at IHRSA 2017 in Los Angeles.** They are shown below with their **Booth #s.** I urge you to schedule time to be on the Trade Show Floor both days, **March 9th and 10th,** so you will have time to walk the entire show. Honestly, you might just find the next great thing for your club or facility there, but you will never know unless you see all 350 exhibits! And, please plan to do business with our CLUB INSIDER Advertisers because they are great people to work with, they have great products and services and they will take great care of you and treat you right. Here are our CLUB INSIDER Advertiser's Booth #s.

Company	IHRSA Exhibit #
Club Industry	#2904
CLUB INSIDER	#2036
Gym Wipes	#2333
Iron Grip Barbell Company	#1754
Visual Fitness Planner	#2145
iGoFigure Software	#1162
Muscle Up Marketing	#1058
Sports & Fitness Insurance	#2207

• **JON WEBSTER** is the **Founder and Operating Owner of Southern California-based National Gym Supply (NGS),** a one-stop source for parts and repair services for cardio and strength equipment. Jon is of the opinion, and I share it with him, that *club owners really need to stay on top of their equipment maintenance and operations, now more than ever.* Recently, Jon was quoted in our friend, **WALLY BOYKO's National Fitness Trade Journal 2017 Winter Edition:** *"Fitness center managers need assurance that their out-of-warranty equipment can be maintained and repaired at a reasonable cost in order to make an informed decision about whether or not to keep older machines. It's our business to help give them that peace of mind."* With parts and repair services from National Gym Supply, gym operators now have more options to reduce operating expenses. Check out the NGS Ad on **Page #9.**

• **ClubIntel** recently released the **2016 International Fitness Industry Trend Report - What's All the Rage,** which explores the truths for over 90

programming, equipment, facility and technology trends in the fitness industry. The report looks at the adoption behaviors (percentage of industry players who offer the practice) of the fitness industry in 2016 for three categories (programming, training and service, facilities and equipment and technology). In addition to looking at adoption levels for 2016, the study also explored the absolute and relative growth rates for each practice over the past year, as well as for the past three years. The report also compares trend dynamics between the U.S. and international markets and across four core business models (non-profits, private clubs, commercial fitness facilities and boutique fitness studios). Together, these insights can help a fitness business plan appropriately for 2017. To download the report for free, go to www.club-intel.com. Also, see **Part I** of **Steve Tharrett and Mark Williamson's Ten Predictions for 2017** on **Page #25.**

• **Congratulations to GALE LANDERS,** Owner of **Chicago's Fitness Formula Clubs,** as he's just opened their 10th location in **Downtown Park Ridge, Illinois.** The new **66,000 square-foot free standing facility** is their newest ultra convenient addition. Check out the **Press Release on Page #23.**

• **The Professional Tennis Registry (PTR),** based in **Hilton Head Island, South Carolina,** will present its annual awards in **February at the 2017 PTR International Tennis Symposium.** The event, which includes more than 40 educational presentations for tennis teachers and coaches, a trade show and tournament, will be held **February 15-18th** on **Hilton Head Island, South Carolina.** **DR. LUDOVIT "Louie" CAP** of **Hilton Head Island** will be inducted to the **PTR Hall of Fame at the Awards Banquet on Wednesday, February 15th.**

• **Johnson Health Tech (JHT)** has opened a new **15,000 square-foot warehouse and distribution center in Manassas, Virginia,** and they have also added nine members to its sales force. JHT is a fast-growing fitness equipment manufacturer and producer of **Matrix, Vision and Horizon.** This expansion is intended to facilitate JHT's ability to serve commercial customers in the North Atlantic Region of the U.S. **KENT STEVENS, Executive Vice President, Commercial Sales** commented, "We are very excited about enhancing our capabilities with this new facility and our expanded sales team. The Manassas facility provides our dealers and customers with increased local sales, logistics and service support by complementing and adding value to our current commercial distribution network."

• **Grab your calendar and Save The Date of October 4 - 6th** for the **2017 Club Industry Show,** to be held at the **Chicago Hilton,** right back where the

first Club Industry Show ever was held over 30 years ago. This will be a special event for **JUSTIN and I** because we will be **celebrating the 25th Anniversary of the launch of CLUB INSIDER...** right there in **1993 at McCormick Place,** the former Club Industry Show location. Also, **Club Industry** recently sent electronic invitations out to potential conference educational presenters. Here's the scoop from Club Industry on that:

The Club Industry Show invites you to submit your session proposals for its 2017 conference, **October 4 - 6th,**

2017, at **Hilton Chicago.** The 2017 conference will be comprised of two full days of sessions on **Wednesday and Thursday** and a half day on **Friday.**

To learn about speaking guidelines, and how to submit your session proposal(s), visit the **Call for Speakers** page at www.clubindustryshow.com. If you've spoken or submitted a proposal in the past, you can log in using your established e-code (or request that it be sent to you if you forgot it). If you are submitting a proposal for the first time, you will be prompted to set up an account.

(See Norm's Notes Page 8)



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...Norm's Notes

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Audience for the Club Industry Show: The primary audience is fitness professionals in all job functions including but not exclusive to club owners/operators, fitness facility executives, general managers, sales managers and personal trainers/group exercise instructors. All abstracts are reviewed on the basis of applicability, originality, conference needs and speaker qualifications. The 2017 education program will offer in-depth topics, smart panel discussions and roundtable sessions fostering better peer-

to-peer interaction and delivering the education content attendees want.

Notification Information: Individuals who are selected for the program will be notified by phone or email as soon as the programming is completed. Presenter contracts will follow shortly after notification. Individuals who are not selected for the program will be notified via email no later than April 17.

Speaker Benefits: Speakers receive a complimentary all-access conference pass as well as a high level of professional visibility and national exposure

in Club Industry Show marketing materials, the show guide and at www.clubindustryshow.com. In addition, speakers will receive one additional complimentary all-access pass for a member of the speaker's staff or family. Speakers will receive promotional codes to offer conference price discounts to their colleagues and clients.

• **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 24 years of CLUB INSIDER's 277 archived monthly editions.

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• **God bless our troops, airmen and sailors worldwide and keep them safe. Thank you, Congratulations and Welcome Home to all of our troops who've served in Iraq, Afghanistan and around the world. God bless America's Policemen and Women and keep them safe. God bless you, your family 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 24th year of publication. Cates was IHRSA's First President, and a Co-Founder with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. Cates may be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)

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Planet Fitness Debuts New Brand Campaign: "The World Judges, We Don't. At Planet Fitness, Be Free."

NEWINGTON, N.H. - Planet Fitness, Inc. (NYSE:PLNT), one of the largest and fastest-growing franchisors and operators of fitness centers in the U.S., revealed a new creative campaign, "The World Judges, We Don't. At Planet Fitness, Be Free." The campaign debuted nationally

during ABC's "Dick Clark's New Year's Rockin' Eve with Ryan Seacrest 2017" on December 31st. For the second year in a row, Planet Fitness was also the presenting sponsor of Times Square's iconic New Year's Eve celebration in New York City.

For nearly 25 years, Planet

Fitness has revolutionized the gym industry, introducing the "Judgement Free Zone" to first-time or casual gym goers, a welcoming and friendly community where people could feel comfortable regardless of their fitness level, and afford to belong with memberships for just \$10 a month. Once the challenger brand, the company's innovative take on the fitness industry was matched with groundbreaking advertising which focused on "Lunk" behavior and "Gymtimidation," a feeling of judgement and intimidation often found at typical gyms and not found at Planet Fitness. Now a preeminent leader in the category, "The World Judges, We Don't. At Planet Fitness, Be Free" campaign, created with agency-of-record Hill Holliday, is an evolution of the Planet Fitness brand spirit and puts Judgement Free in the context of society: the world, not just other gyms, can be a very intimidating and judgmental place, but Planet Fitness is a place you can go and be yourself and "be free" without fear of being judged.

"The World Judges, We Don't. At Planet Fitness, Be Free" addresses the universality of judgement, and the symbol for the campaign is the universal symbol for acceptance, the thumbs-up. Taken from the Planet Fitness logo, the thumbs-

up symbol is a positive affirmation that is woven throughout all of the campaign creative. The branding executions include advertising on television, radio, print, out of home, digital and social activity reflective of the evolved brand platform. Throughout January, additional brand vignettes will offer a close-up of the stories that will run across ABC, CBS, NBC, cable and syndicated networks and generate excitement for Planet Fitness' January sale.

"We are excited to debut this evolution in our branding and communicate a message to consumers that Planet Fitness is a place where they can escape the judgement and pressure felt in their daily lives, and be themselves. This is critical to the Planet Fitness brand DNA, and it is also culturally relevant today, which is extremely powerful," said Jessica Correa, SVP of Marketing at Planet Fitness. "As we head into 2017 and our 25th anniversary year, the Planet Fitness 'Judgement Free Zone' has never felt more important and necessary. "The World Judges, We Don't. At Planet Fitness, Be Free" campaign is a true evolution of our brand and one that elevates the promise we made to our members over two decades ago, to remain an environment where you can relax, go at your own pace, do your own thing and be free."

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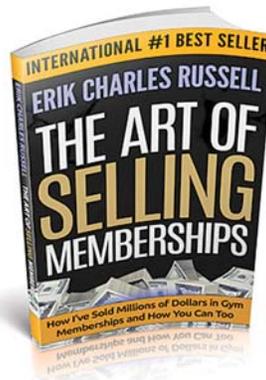
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...KUSHH!TM

continued from page 3

job and passed the CPA exam, but I was constantly on the lookout for information about racquetball and racquetball clubs. While on an audit in the New Orleans area, I had seen information about a new club being built nearby. I called up the owner and invited him out to dinner to see what I could learn. In those days, everyone was very open with their information, and he shared his ideas with me.

The turning point for me came in 1976 when I met you, Norm, at the Riverbend Apartments in Atlanta. Riverbend, located right next to the Chattahoochee River, was a great place for young people in the mid '70s. However, what was significant to me was that they had a couple of racquetball courts at their clubhouse. You and I were there playing racquetball, and between games, you asked me if I would be interested in a farm land real estate syndication that you were promoting. You were a newly hired airline pilot, but due to the Arab Fuel Embargo, they had cut back their operations and you and a bunch of other pilots had been furloughed. You probably remember that I told you I could not invest in your land syndications because I was saving my money to start a racquetball club. I don't believe you had ever heard of such a thing, but soon, you were on board. We had teamed up to try and make our dream a reality. Later, a friend of yours introduced us to Rich Boggs who had moved back to Atlanta with his family from California, also with the idea of opening a racquetball club. You, Rich and I teamed up in the fall of 1976 with the goal of opening Atlanta's first public racquetball club. A little later, we added Fred Streck, a builder, and our team was complete.

So, after much work and a few false starts, we opened our first racquetball club on May 1, 1977. We named our club Courthouse I. But, we soon had to change

the name to CourtSouth since the name Courthouse had been registered by a group out of Chicago. We were officially in the health and fitness club industry! We had 1,200 members on opening day on May 1st, and by the end of August, we had over 5,000!

C.I. - Please tell us more about your background as a club developer, owner and operator?

RI - CourtSouth had ten racquetball courts and a 600 square-foot exercise room. At that time, we didn't really expect anyone to use the exercise room because we thought everyone would play racquetball. People flocked to this club from all over the city. Almost every Sunday evening, we would offer free racquetball lessons, and we would have huge crowds as people learned the basics of the new sport of racquetball. We soon acquired additional space and expanded our first club with five additional courts and an indoor jogging track. We also built several new clubs in the various suburbs of Atlanta and became involved in other clubs in other nearby Southeastern cities.

Later, after the racquetball boom faded, Rich Boggs and I converted our clubs to a new name and concept. We called our clubs SportsLife with the tagline *The Science of Good Health*. This was painful since it required the removal of a number of racquetball courts. The courts were replaced with more exercise equipment and group fitness areas. We also added cardiac stress testing and nutritionists. We still had some courts, but they now represented a much smaller part of the business. This is where Boggs and I were in June 1989 when the STEP® came along.

C.I. - How did you meet Gin Miller?

RI - Gin Miller had been an instructor at SportsLife before leaving to teach at Gold's Gym. Gin is not just a great instructor, she's a great person. She has almost unlimited energy and ideas. Gin is recognized worldwide as the creator of



Ray Irwin in Great Smoky Mountain National Park

STEP Aerobics.

C.I. - Ray, please recall for us the idea that caused you to create The Original STEP®, which now has several million units in use worldwide.

RI - Well, the idea for the STEP® came to me in June 1989 after taking one of the new STEP classes we were offering at SportsLife in Marietta, GA. Gin Miller had created a program she called Bench Blast that she taught at Gold's Gym just down the street from our Marietta club. The owner of the Gold's Gym wanted to close the gym, and we had worked out an agreement to accept his members at our club. The new members were asking for the Bench Blast classes that Gin taught, so we got together with her to see what this was all about. Gin explained her program, and we decided to give it a try. However, we didn't care for the Bench Blast name, so we called the program 'STEP.' We had our maintenance team build plywood boxes that were six, eight, ten and twelve inches high, and we painted them different colors.

The STEP classes started in June, 1989, and they were an immediate hit. Members were coming as much as an hour before class to secure their bench. Of course, the main reason for this was that the benches were not adjustable, so if you arrived late, you might end up with a red bench that was twelve inches high.

In June of 1989, my exercise routine included racquetball, tennis, running and a few of the classes that we offered. However, one Friday about two weeks into the STEP experiment, my tennis partner cancelled, and I ended up trying the new STEP class. I immediately loved the class and enjoyed the workout, but I noticed a number of problems with the wooden benches. They were awkward to move and quickly got slick when sweat would fall on them. But, the *biggest problem* was that they were *not adjustable*. If you started with an 8-inch step, you were stuck with it. With all of this in mind, I went

home to my beautiful wife, Louise, and our two sons who were three and five at that time. The boys had all the normal toys, including a large stash of Legos. My subconscious mind went to work, and I woke up around 2AM with an idea for an adjustable step based on my boy's Legos. I took this idea to my business partner, Rich Boggs, and we decided to go for it. At that time, we were building a number of SportsLife health clubs, so we took the idea to our architect, Peter Hand. In addition to his architectural firm, Peter had a model building company, and we built the first STEP prototypes. The first prototypes had sharp edges and very much a Lego look to them. This would all change once we got with Sam Crosby of Industrial Design Associates, Inc. Sam, who is the closest thing to a genius that I know softened the design and made it compatible for blow molding. Sam and his team also added a number of safety features that make the step easy to adjust and hard to tip over. The next set of prototypes looked almost exactly like the STEP does today. We were on our way!

C.I. - From a club owner's perspective, what were the benefits of The Original Step® that made it so hugely popular worldwide?

RI - The Original STEP® had many benefits for club owners. The STEPS were good looking, light weight and fit nicely with the beautiful clubs that were being built at that time. *They were also inexpensive with an entire roomful of STEPS costing less than one treadmill.* Because they were adjustable, you could have members of different fitness levels in the same class. The STEP® allowed each member to define their own space in the class. It helped fuel the explosion in group fitness.

Introducing the KUSHH!TM

C.I. - You have been working for several
(See KUSHH!TM Page 14)



Gin Miller Teaching KUSHH!TM Class at LifeTime Fitness in Woodstock, Georgia

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...**KUSHH!**™

continued from page 12

years on a new version of The STEP® that you call the KUSHH!™. From the perspective of the health club member, what are the benefits of using KUSHH!™?

RI - The members will love the new KUSHH!™ because it greatly expands the types of exercises that they can do. The KUSHH!™ acts as a *platform for cardio, a bench for strength training, a jump-box for plyometrics, a bed for Pilates, and a mat for CORE and stretching.* It's the perfect all-in-one exercise device. Instructors will find many new uses for KUSHH!™, just as they have for The Original STEP®.

C.I. - How did you come up with the name KUSHH!™?

RI - I believe that Gin originally proposed the name. She liked its sound in that it is similar to the sound that the KUSHH!™ makes when you step on it. Of course, choosing a name and logo is very difficult. In the end, the KUSHH!™ name is a made-up word that we have trademarked. This allows us to protect the product in markets around the world.

C.I. - What additional training will be required for instructors when they start

using the KUSHH!™?

RI - Gin Miller has put together a complete training package. Check out **Training Examples on Page #14 and 16.**

C.I. - When will the KUSHH!™ hit the marketplace?

RI - The KUSHH!™ officially launched this month, January, 2017.

C.I. - I would imagine the KUSHH!™ price point will partially be determined by the number of units per order. What can you share with us about the price point?

RI - I think that club owners will be excited when they see the KUSHH!™ pricing. The KUSHH!™ has a slightly higher price point than STEP® since it includes a 4-inch soft vinyl enclosed top. However, KUSHH!™ shares the use of all existing Original STEP® blocks and risers. A single KUSHH!™ unit will sell for around \$125 with volume discounts bringing the cost per KUSHH!™ unit down to around \$105. **You can still fill an entire group fitness room with either STEPS or the KUSHH!™ for about the cost of a single treadmill!**

C.I. - **WOW Ray!** It sounds to me like acquiring the new KUSHH!™ for your club is a *financial no-brainer.* When I

(See **KUSHH!**™ Page 16)

Testimonials From Early **KUSHH!**™ Users

Gin Miller provided **CLUB INSIDER** with the names and contact information for a group of people who've experienced the **KUSHH!**™ in its testing phase, and they have provided us with their thoughts about **KUSHH!**™.

Comments From Jim Elkins

CLUB INSIDER (C.I.) - Jim, where did you first experience KUSHH!™?

Jim Elkins (JE) - At LifeTime Fitness in Woodstock, Georgia (Atlanta suburb).

C.I. - Had you been doing other group classes before that?

JE - Yes, for years. I've been there six years.

C.I. - Had you done STEP Classes before?

JE - Yes, I had.

C.I. - What's your reaction to KUSHH!™?

JE - Well, I think it makes the workout harder. It has foam that has some give to it so you have a deeper range of motion, such as when you're doing pulls or things like that for your back. You've got to fire that core when you're doing squats on there because there's a little instability. It just makes the workout a little bit harder, and you really notice it the first five or six times you do it. You find yourself saying, 'Dang, I'm sore!'

C.I. - What do you like the most about KUSHH!™?

JE - A couple of things. One is you can put your elbows on it without hurting yourself. You know, if you're lying down doing a plank or something, you can put your elbows on it. It's soft. You don't really need a mat with it because it's soft.

C.I. - Jim, do you have any other comments you care to add to these?

JE - It really makes the intensity go up about one-third. It makes it about one-third harder than it would be if you were doing it on a regular STEP or on your own. You get a deeper range of motion of whatever else you're doing, be it a squat, a lat pull or whatever. Oh yeah, let me add one thing, Norm. You can't find a better fitness instructor than Gin Miller.

C.I. - Thank you, Jim!



Comments From Katie Swain

CLUB INSIDER (C.I.) - Katie, since you're both a member at LifeTime Fitness and a group exercise instructor there, obviously, your experience will be helpful in this cover story. So, let me ask you to comment on your experiences with the Original STEP® before you were introduced to KUSHH!™.

Katie Swain (KS) - Having enjoyed STEP classes before is the whole reason I'm actually a fitness instructor now. When I was younger, back in the 9th and 10th grade, when I was 14, I started taking STEP classes with my Mom, and I loved it. I went on to college at Florida State and a friend of mine sought out and went to the STEP classes at our gym. We would go every Monday, Wednesday and Friday at 4:30PM at the exact same spot. After college, I would literally join gyms based on whether or not I liked their STEP classes and instructors (laughing).

After college, I got married and started having children. I continued to take STEP classes while I was pregnant. After my second child was born, I said to myself, 'You know what? I'm here so much anyway. Why don't I just get certified?' So, again, I went to my STEP instructor, and he was really kind of the first to ever teach me about the different kinds of music you would use, how many beats per minute for certain classes, etc. Without Gin starting STEP years ago, I would certainly not be where I am

(See **Testimonials From Early KUSHH!**™ Users Page 16)



KUSHH!™ **CARDIO** - Pummel Run

WHAT IT DOES: Conditions the body with aerobic intervals

START: Stand on top of KUSHH!™ with feet shoulder width or farther apart. Elbows bent with hands in front.

EXERCISE: Shift weight by pushing off right foot onto left and then immediately shifting weight back and forth in a continuous running pattern. Foot strikes should be in the same place each time.




OPTION: Can be performed in various stance widths, such as feet together or hip distance apart.

TIPS: Keep arms in front of body to help control balance and lean slightly forward at hips.

PRESCRIPTION: Up to 6 one-minute bouts interspersed with marches on floor to recover as needed up to ten seconds between bouts.

KUSHH!™ **PLYO** - Straddle Jump

WHAT IT DOES: Conditions the body with anaerobic intervals

START: Stand astride KUSHH!™ with arms at side.

EXERCISE: Flex knees and reach behind body with straight arms. Load and explode straight up with feet landing in center of KUSHH!™. Step down and repeat sequence, alternating which leg descends from KUSHH!™ first. Repeat for desired interval.




OPTION: Double jump while on top of KUSHH!™.

TIPS: Land on KUSHH!™ with weight on entire foot rather than just heel or ball of foot.

PRESCRIPTION: Six sets of 15, 30, 45 or 60 second bouts interspersed with marches on floor to fully recover between bouts.

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...KUSHH!™
continued from page 14

saw that LifeTime Fitness Group Exercise room with over 50 KUSHH!™ participants in the middle of a week day, I was sure this new product is heading for great fame and industry acceptance... Now, knowing the story behind this great product and the more than affordable price makes it truly a financial no-brainer, and in my mind, a without a doubt winning business proposition for *all clubs, fitness centers, studios, YMCAs, YWCAs, JCCs and you name it.* I'm very excited for you guys, Ray, and at Club Insider, Justin and I are fired up about helping you guys have a *terrific launch this month!*

**An Interview With Gin Miller,
Creator of Step Aerobics and
Renowned Group Exercise Instructor**

CLUB INSIDER (C.I.) - Gin, please give us a little background on yourself. Where did you grow up, go to school and were you involved in sports as a youngster?

Gin Miller (GM) - I was born in Virginia and lived in the Northeast, Midwest and Southeast U.S. I loved athletics as

a youngster and was involved in many sports, especially track and gymnastics.

C.I. - When, where and how did you get involved in the health and fitness club industry?

GM - I began coaching gymnastics after college and decided to enter an aerobics competition at one of the local sports bars. I won four of those competitions, and shortly after that, I started teaching conditioning classes for the parents of the students at my gymnastics center in Georgia. After gymnastics, I actually began competing in these local competitions. I just competed like a gymnast would except I threw in a few high kicks. I started winning those. Then, I went to work for you at CourtSouth on Delk Road. I also worked for World Gym, Gold's Gym, European Health Spas, Australian Body Works and Crunch Fitness. I just kind of worked the circuit. That was when bodybuilding was just becoming popular as a competitive sport. That was a fun little phase of my life with lots of small bathing suits (laughing). I had some success and began to train other bodybuilders.

(See *KUSHH!™* Page 17)

KUSHH!™ STRENGTH - Decline Push Up

WHAT IT WORKS: Chest, CORE and Triceps

EXERCISE: Maintaining neutral spine, flex elbows to lower chest toward floor until elbows are at 90 degrees. Pause and return to starting position and repeat.

TIPS: Engage core throughout and exhale during exertion.

PRESCRIPTION: Perform up to 3 sets on each side for 8-12 repetitions.



KUSHH!™ CORE - Bicycles

WHAT IT WORKS: Trunk Muscles, front and sides

START: Lie supine on the KUSHH!™ with head and hips on the surface. Bend elbows, place hands behind ears and lift legs to hip level.

EXERCISE: Pull right knee toward chest while twisting and flexing torso until left elbow meets right knee. Pause briefly and alternate sides for the desired number of repetitions.

OPTION: Reduce range of motion for all movements to decrease intensity and increase range of motion to add intensity.

TIPS: Do not initiate movement with elbows. Rotate and flex entire torso to lead head and arms through the movement. Exhale as you exert force.

PRESCRIPTION: 3 sets of up to 24 reps. Each twist is one rep.



Testimonials From Early KUSHH!™ Users

now. STEP classes have had a huge influence on my life.

C.I. - It's great to hear about your wonderful involvement in and love of STEP classes. Now, let's talk about the new KUSHH!™. What's your reaction to KUSHH!™?

KS - I really like it. Being someone who has had experience teaching KUSHH!™, I love the low impact of it on your knees. And, I also love the versatility and how it challenges your core. You are able to get down and do some moves that you couldn't do with the hard STEP.

C.I. - Before we close this out, Katie, do you have anything else you'd like to comment on about the KUSHH!™?

KS - I think it's a terrific product. I'm super proud of Gin. I love the fact the STEP® and KUSHH!™ were born organically out of a *need* in the fitness industry. I think it's great. It's a great product, and I think members really like it when they get the chance to use it in the different classes. I'm excited. Whenever I get the chance to use KUSHH!™, it's like a treat for me! I love it!

C.I. - Thank you, Katie!

Comments From Bola Odukwe

CLUB INSIDER (C.I.) - Bola Odukwe, where did you first experience KUSHH!™?
Bola Odukwe (BO) - LifeTime Fitness in Woodstock, Georgia.

C.I. - Have you been doing other group exercise classes before that?

BO - Yes, I have been since 2011.

C.I. - Have you done other STEP Classes?

BO - Yes.

C.I. - What is your overall reaction to KUSHH!™?

BO - I love KUSHH!™. It's an amazing product. Before I started using KUSHH!™, I used to have knee pains. Really bad knee pains! I could not jump on the STEP® as I should; I was quite slow and clumsy. Then, I would leave with really bad aching knees and joints. So, when the KUSHH!™ came, I started using it. My body got used to it. And, once it did, I was moving faster. I was doing the work better, and my knee pains completely disappeared! The pain is completely gone. I don't have those pains anymore.

C.I. - WOW Bola! *What a wonderful testimony that is!*

BO - Yes, it is amazing!

C.I. - Bola, that comment *ALONE* is very valuable, and I know the creators of KUSHH!™ will be very happy to hear that great news. That's great! Good for you, Bola!

BO - I'm very, very happy about this.

C.I. - You should be very happy, Bola. I'm happy for you!

Comments by Lisa Bass

CLUB INSIDER (C.I.) - Are you a member, an instructor or both at LifeTime Fitness?

Lisa Bass (LB) - Both.

C.I. - Did you experience KUSHH!™ at LifeTime Fitness?

LB - Yes, I also worked out with Gin at her former studio in Woodstock, and we tested the KUSHH!™. I was also part of the initial group of instructors trained on the KUSHH!™.

C.I. - Had you done STEP classes before?

LB - Yes, I've taught STEP classes since the early '90s.

C.I. - What's your reaction to KUSHH!™?

(See *Testimonials From Early KUSHH!™ Users* Page 17)



...KUSHH!TM

continued from page 16

C.I. - Let's move on to your role and great popularity as a group exercise instructor. Please tell us about the early days before The Original STEP® was developed. What kinds of devices were used in group exercise classes?

GM - There were not many devices in group fitness in those days... we had some hand weights like Heavy Hands, but that was about it. Heck, this was when we used to play records for our music (laughing)! We'd have to run to the record player in the back of the room to change them out, dragging a microphone on a wire with us. It was really tricky in those days.

C.I. - Gin, please tell us about how you began with steps made out of wood, which were heavy and hard to move, cumbersome and would damage carpets and mirrors if not carefully used.

GM - We started with wooden steps that a local carpenter made for us. They were four feet long, twelve inches high and were really heavy. We got lots of splinters, and

we experienced cumbersome stacking challenges. There were no adjustment options; they were a one size fits all situation!

C.I. - In the early days of the wood step, what were the things that members liked about them in the classroom?

GM - People just loved the simplicity of stepping. It was *tribal, hypnotic, easy to do*, but *best of all*, everybody had their own space and their own step. It was the first time in group exercise that people felt like they didn't have to look over their shoulder before they did the next high kick!

C.I. - Please move on in time from when you were using wooden steps to when you began to use The Original STEP®, created and produced by Ray Irwin, who was one of the owners of SportsLife here in Atlanta. What was your reaction to The Original STEP®?

GM - I thought those guys were geniuses! How smart it was to take my idea and create the hardware to make it work. That's synergy, and that's good business, which is why we are at it again.



Gin Miller, Creator of Step Aerobics and Renowned Group Exercise Instructor Using KUSHH!TM

C.I. - What was the member reaction to The Original STEP® Ray and Rich had created? What were the benefits of The Original STEP®?

GM - The Original STEP® just made the concept complete. **Workout + Platform = Success.** No more carpenters, no more stacking challenges, no more safety concerns. It was like Robin Hood just met the longbow. The Original STEP® provided us with enormous credibility.

C.I. - Gin, let's fast forward to your experience with the new KUSHH!TM. What was your immediate reaction to the KUSHH!TM?

GM - Well, the first time we talked about this, we ended up taking some foam rubber and gluing it to the top of (yep, you guessed it) another wooden box. We tinkered with that for a while, and then, the engineers and designers went to work. And, they worked tirelessly on this beauty. I think we went through about ten prototypes before we felt it was *just right*. And, I have to admit, I'm completely blown away by how elegantly simple, but immensely useful, the new KUSHH!TM actually is.

C.I. - From the perspective of the health club member, the end user who's going to be using KUSHH!TM, what are the benefits they will immediately identify and enjoy?

GM - Members will immediately be able to position themselves easily and comfortably in *prone, supine, side-lying, kneeling*, etc. positions with extreme cushioning, not unlike a Pilates reformer bed. The comfort is immediately noticeable, and impact absorption is maximal for plyo, cardio and quick transitions. Non-flexible members will love the assistive nature of the forgiving surface. No mat is needed.

From a platform perspective, users simply don't need cumbersome, multi-equipment set ups anymore. The surface is unique and accommodates many modalities of fitness. From a physiological perspective, we designed the KUSHH!TM to be unstable enough to increase energy expenditure, core engagement and balance training without being so unstable that it created safety concerns. It wasn't easy, and

it took us well over two years to accomplish that, but I think we hit the mark.

C.I. - Please tell us about your member feedback from the new KUSHH!TM?

GM - They just love it! It's easy to use, and it's exciting to be able to do new movements that create fresh, new workout options. That's always a *big plus*. Another unexpected outcome is that we have received a lot of great feedback from younger members who are just now discovering basic STEP exercise. There is a bit of a resurgence with STEP going on now, and of course, KUSHH!TM offers a whole new dimension for these 'newbies.' We like to tell them, *'This is not your Mother's step!'*

• • •

To close this *special cover story* about the great contributions my friends **Ray Irwin** and **Gin Miller** are again bringing to our industry worldwide, my only suggestion to club owners is that they really should place their KUSHH!TM orders today so they don't end up having to wait to get the KUSHH!TM for their clubs! Call **(877) 296 - 9990** today, and be sure to see the **new KUSHH!TM Ad on Page #13** of this edition.

Thank you to Ray Irwin and Gin Miller for their time interviewing for this cover story, as well as their great contributions to this industry. Thank you also to Jim Elkins, Katie Swain, Bola Odukwe, Lisa Bass and Pamela Staver for their testimonials about the new KUSHH!TM.

(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 24th year of publication. Cates was IHRSA's First President, and a Co-Founder with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. Cates may be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)

Testimonials From Early KUSHH!TM Users

LB - I LOVE it! The cushioned top allows you to kneel on it and lie on your back, side or belly comfortably for strength training, Pilates, etc. It adds an entirely new dimension to the current STEP. Teaching a STEP class on the KUSHH!TM challenges your balance and stability. The cushioned top requires more muscle engagement in the legs and feet and also creates a softer landing for plyometrics.

C.I. - Are there any other comments that you'd like to make about KUSHH!TM?

LB - It's a very versatile piece of equipment that will appeal to more people, young and old.

C.I. - Thank you, Lisa!

Comments From Pamela Staver

CLUB INSIDER (C.I.) - Where did you first experience KUSHH!TM?

Pamela Staver (PS) - In a personal session with Gin Miller.

C.I. - Had you been doing other group classes before that?

PS - Yes, as both an instructor and participant.

C.I. - Had you done STEP Classes before?

PS - Yes, for many years.

C.I. - What's your reaction to KUSHH!TM?

PS - *Challenging and fun.*

C.I. - What do you like the most about KUSHH!TM?

PS - KUSHH!TM offers enough instability to challenge balance and activate the core, yet enough stability for safety.

C.I. - Pam, do you have any other comments you'd care to add to these?

PS - Gin Miller has done it again! Gin is always the consummate pro and leader of innovation in our industry!

C.I. - Thank you, Pamela!



Five Issues in Your Back Office That Need Your Attention As We Start this New Year!

By: Melissa Knowles

Many of you may well be several weeks into your New Year's resolutions when you read this. Much like the start of a new year presents a good time to set new goals and work toward your best you, it also offers the opportunity to review your business, look for the gaps and work toward bridging them. Due to its

complexity and direct impact on legal risk, a review of your human resources and pay practices is a great place to begin. We've gathered the top five areas in which we receive the most questions or have spent the most time coaching and have presented them here with appropriate comments that should help you as a club owner, general manager or back office staff member and others.

Issue #1: Employee Misclassification - We start with an issue that should be relatively fresh in most owners' minds. Preparing for the salary base increase that was set to go into effect on December 1, 2016 led most businesses to take a hard look at the team members being paid salary and being treated as exempt. While the proposed changes only impacted the minimum salary requirements, many



Melissa Knowles, VP of Gym HQ, a ClubReady Company

owners noted that they may also need to make some changes based on the existing duties requirements. Below are the three categories for exemption based on duties:

Executive:

- Regularly supervises two or more other employees; and also,
- Has management as the primary duty of the position; and also,
- Has some genuine input into the job status of other employees (such as hiring, firing, promotions or assignments).

Supervision means what it implies.

The supervision *must be* a regular part of the employee's job, and it *must be* of other employees. Supervision of non-employees does not meet the standard. The "two employees" requirement may be met by supervising two full-time employees or the equivalent number of part-time employees (two half-time employees equals one full-time employee).

"Mere supervision" is not sufficient. In addition, the supervisory employee must have "management" as the "primary duty" of the job. The FLSA Regulations contain a list of typical management duties. These include (in addition to supervision):

- Interviewing, selecting and training employees;
- Setting rates of pay and hours of work;
- Maintaining production or sales records (beyond the merely clerical);
- Appraising productivity, handling employee grievances or complaints, or disciplining employees;
- Determining work techniques;
- Planning the work;
- Apportioning work among employees;
- Determining the types of equipment to be

(See Melissa Knowles Page 20)

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Shake Things Up!

By: Derek Barton

It's a new year; time to *shake things up!* I know what you're thinking, "Didn't the 18-month Presidential race shake things up enough?" Yep, it sure did. What a ride that was, huh? Nobody predicted the outcome, including Trump himself. The Russians aside, his success was all about marketing, and I first wrote about it in this publication back in September, 2015 in my article entitled, "The Emotional Cocktail."

For a year and a half, we all had a front row seat to dozens of debates and ad campaigns in prime time. There was quite a cast of characters running for the highest office of the land. The debates were entertaining on the one hand and just mind blowing on the other. After all the astonishing things that were said, the bar was lowered enough that even I could run

for political office.

Having been in marketing for over 30 years and a student of human behavior my whole life, I was fascinated by how all the candidates advertised and marketed themselves. No matter what business you're in, there was something to learn for all of us.

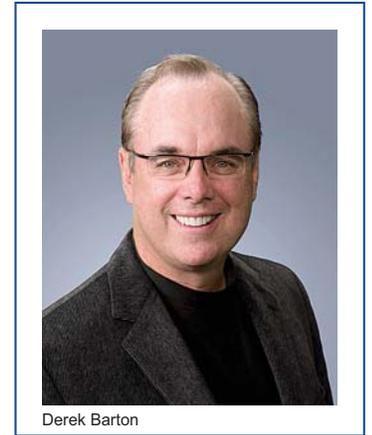
I've always believed that each of us is a brand. Whether you own your own company, work for somebody else or represent a political party, we are all brand extensions. What we say and how we say it is important. But, our message must be clear and concise, and it must emotionally connect with people.

After the election, political pundits were weighing in on Donald Trump's surprise win and giving their opinions on how he did it. One expert said, "Let's compare their slogans. Trump's was 'Make America Great Again.' Hillary's

was 'Stronger Together.' Trump's slogan is more focused and emotional," he continued, "Where Hillary's is a little bland and didn't seem to resonate with people."

You may be saying, "It resonated with 2.9 million more people than Trump." I understand, but like all good marketing, you must hit those important targets that will bring you ultimate success. Once again, I reiterate that advertising is like a diamond; there are many facets to it (See **Derek's Comments on Marketing in the August 2016 Edition of CLUB INSIDER**). Like most diamonds, there are flaws, and we saw plenty of them in each candidate.

What was so amazing during the race was that, no matter what outrageous things Trump said, his popularity didn't go down. After several of those off the wall comments and antics, I thought, 'Okay, that's got to be the end for him.' But nope, like the Energizer Bunny, he kept going and



Derek Barton

going. I agreed with the pundit who said that Trump was proof that, if your overall message is strong, people will forgive and (See **Derek Barton Page 21**)

...Melissa Knowles

continued from page 18

used in performing work or the materials needed;

- Planning budgets for work;
- Monitoring work for legal or regulatory compliance; and,
- Providing for safety and security of the workplace.

Professional:

Staff within the health and fitness club industry typically do not fall into this set (i.e. lawyers, doctors, dentists, teachers, architects, nurses, accountants, etc.)

Administrative:

The most elusive and imprecise of the definitions of exempt job duties is for exempt "administrative" job duties.

The administrative exemption is designed for relatively high-level employees whose main job is to "keep the business running." A useful rule of thumb is to distinguish administrative employees from "operational" or "production" employees. Employees who make what the business sells are not administrative employees. Administrative employees provide "support" to the operational or production employees. They are "staff" rather than "line" employees. Examples of administrative functions include: labor relations and personnel (human resources employees), payroll and finance (including budgeting and benefits management), records maintenance, accounting and tax, marketing and advertising (as differentiated from direct sales), quality

control, public relations (including shareholder or investment relations and government relations), legal and regulatory compliance and some computer-related jobs (such as network, internet and database administration).

Issue #2: Lack of Documentation - A general lack of documentation seems to plague many health and fitness club businesses, even outside of the realm of human resources (customer relations, contracts, etc.). When it comes to employees, the two biggies are a failure to outline policies in writing and a failure to document issues. Think of your Policy and Procedures Manual and/or your Employee Handbook like the *playbook for your business*. They lay out expectations for team members, explain the business objectives behind those expectations and provide the framework for how to carry them out. Without a playbook, you and your staff are essentially flying blind! This is not a good place to be, especially when issues arise. *And, issues always arise!* It's recommended that a business employ a policy which provides for a method of documenting all employee dealings relating to performance (both positive and negative) and requires signatures where appropriate. Clear and consistent documentation ensures the employee understands the reasons for your actions and what your expectations are of them moving forward. If the time comes when employment must end, it also provides a history should a claim arise (unemployment benefits, discrimination, wrongful termination, etc.).

Many managers equate the word *discipline* with *punishment* versus thinking of it as *the process of helping an employee*

understand his role and how to perform more effectively or efficiently. If meetings with a supervisor involving documentation are always viewed as negative and seen as a threat, that's exactly what they end up being, and the policy loses any potential positive impact. You end up with a too little, too late situation because even you avoid discussing employee issues!

Issue #3: Lack of Time Keeping - This issue generally falls into one of the following three categories:

- Connected to a misclassification issue where an employer is treating an employee as exempt when they shouldn't be. All nonexempt employees should be keeping time records.

- Time records are being kept in an inaccurate or haphazard manner. This typically comes in the form of written time sheets that don't capture time in/out to the minute or assumed time clocks that simply plug in the employee's standard schedule and ignore actual reporting times. While this is better than nothing, it won't hold up to scrutiny should questions of proper payment of wages occur.

- Failure to keep time records for piece rate employees. The previously advised method of paying trainers by the session or group instructors by the class is shifting. Current best practice advises tracking actual time worked (including prep and wrap time), paying to the clock and then adding in a bonus based on total classes taught or sessions completed (if desired).

Issue #4: Use of Independent Contractors

- I've written and spoken so extensively on this topic that it seems redundant to include it again here; however, rarely does a week go by that I don't get a call from an owner attempting to find a way to "1099" someone. Here's the bottom line, in 99% of cases, the person you're dealing with is an employee. Sure, you can manufacture a creative reasoning for paying him as a contractor, but it's generally not worth the risk given the severe penalties associated with misclassification. You can see more detailed information on the topic on our website (www.gymhq.club) under past blogs, but it all boils down to this: **If the position requires the person to be directed as to how, when, where and with what to do the job, he's an employee.**

Issue #5: Lack of Knowledge of and Adherence to State Labor Laws - Every state comes with its own unique challenges for business owners. Minimum wage changes, special break requirements, mandatory check information, employee notices, rules governing final wages, worker's compensation requirements... the list goes on and on. Human resources and payroll practices are certainly not one size fits all, and it's imperative that a business owner investigates the rules in his or her home state. These should be reviewed frequently to plan for and implement any changes. It's the owner's responsibility to be informed.

(Melissa Knowles is Vice President of GymHQ, a Division of Club Ready, and she may be reached at MKknowles@gymhq.club)



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...Derek Barton
continued from page 20

forget other things that you might say and do.

The bottom line is that Trump shook things up and people responded. Whether you like him or not, his marketing worked. Bernie Sanders shook things up, too, and his message also moved millions of people. I was fascinated and impressed that the oldest guy in the race had the biggest following among young voters. It was proof that a strong message can relate to any demographic.

Two of the best marketing books I have read are both by Jean-Marie Dru, *Disruption*, and *Beyond Disruption*. I think Trump and Sanders read them, too. Richard Branson said this about Dru's first book, "*Disruption* is all about risk taking, trusting your intuition and rejecting the way things are supposed to be." Author Tom Peters praised *Beyond Disruption* saying, "If you don't intend to raise hell, why bother to get up in the morning."

Speaking of those books, two of America's biggest retail icons, Sears and Macy's, need to read them. Both have been closing stores and laying off thousands of employees. It's time for them to raise some hell and shake things up.

Online shopping hit record highs during the holidays. It kicked butt on brick and mortar stores like Macy's and Sears. These and other companies are trying to figure out how to do both online and brick and mortar successfully. No matter if you're an online business or brick and mortar, your service and the customer experience must be top notch.

And, whether it be traditional or digital marketing, the message is key! With the daily barrage of messages we receive, it's more important than ever to make sure your message cuts through the clutter and emotionally connects with your target. No matter the medium, no matter how big or small your budget, the message is everything.

It's a new year. Be disruptive. Raise hell. Shake things up. Throw away the same old boring script. Forget the status quo. Blaze a new trail. You just might surprise yourself and everyone around you!

(Derek Barton is President and Owner of California-based Barton Productions, Inc., and he can be reached by email at derek@bartonproductions.com)

Five Tools to Maximize Your Winter Selling Season

By: Karen Woodard-Chavez

There is no doubt January is busy... So busy that, at times, it feels like you can't fully do your job or completely do your job, which means certain elements may get missed or be omitted. That's a big mistake that will hinder your sales success.

Make sure you are consistent with the following **Five Tools** with each and every prospect/member. Consistency is the key to making a good January a great January and a great January a strong February, March and April.

1. Complete Pre-tour - In every selling conversation, there is the pre-tour, tour and post-tour. The pre-tour sets the stage for success in the tour and the post-tour. If you do not do it well and completely, the rest of your selling conversation will be adversely affected. A complete and well-done pre-tour reveals to you precisely what will make the prospect say, "Yes," to joining and what will make him hesitate to join. Thus, you know precisely what to discuss/show him on the tour and how to build in solutions to his hesitations and have it feel more naturally conversational versus the strong-arm technique of "overcoming objections" at the end of the selling conversation. A complete pre-tour includes questions that reveal the prospect's *Interests, Needs, Urgency and Motivation*, all the reasons he will say, "Yes." It equally includes questions that reveal the prospect's potential hesitations, such as *Eagerness, Decision Making Ability, Time Availability, Financial Availability and Other Limitations*. You can see that, if you ask these questions and take good notes on the answers, then you will be able to create a sales presentation that is about the prospect and not just about the club. That will be far more compelling for him than the boring club tour.

2. Early and Often - The concept of early and often relates to anything you want to have happen in the sales presentation today, and you need to bring that up early and often. The things you want to have happen include having the prospect join today, having the prospect feel comfortable enough with you that he wants to participate in your New Member Guest Privilege program as well as purchase an intro program to personal training/pilates/swim lessons/small group training, etc. The mistake we make is that we may present these elements at the end of the selling conversation in a *rushed and hurried* manner because we are just trying to get through all the joining documents. The importance of getting involved in these programs gets lost, and you do not earn the sale or the commission. Begin the conversation about these points while you

are on the tour and do it multiple times. By doing so, you eliminate the "let me think about it" response that you likely get by presenting it only at the end of the conversation.

3. Zip Up the Next Step - If your prospect does not join today (this assumes you have had a discussion about his hesitations), then you need to have the follow-up plan zipped up. What that means is that, before he leaves the club, you have invited him to be your guest to do something he expressed he would like to be doing as a member. If his interest is yoga, then you will specifically invite him to the 10AM yoga class tomorrow or the following day as your guest. He will agree, and you will now have an appointment with him. Most membership salespeople simply give the prospect a guest pass to come back to the club without scheduling a specific time or event. By giving a guest pass, you give away all of your influence and ability to manage your time and leads. By scheduling a specific activity at a specific time, you will shorten your sales cycle, manage your time more effectively and provide a better experience for the prospect to become a member.

4. New Member Guest Privilege - The New Member Guest Privilege (NMGP) is something that should be done early and often with every prospect. There needs to be a value difference between a NMGP and a regular guest pass. For example, the NMGP might be 3-day access for three of the new member's friends that allow them to participate in small group training and are only active for the first 30 days of their membership. This is different than a guest pass for up to three people. It has value and urgency. You can arrange this in several ways, either through a link that you send your new member or the good old fashion way of having him write down the names and contact information of the folks he would like you to arrange the privilege for. The latter creates a lot more work for the salesperson. The link sure makes it easier.

5. Set Appointments - Please, please, please avoid the mistake of having people "stop by" when you are responding to their web inquiries or phone inquiries. It places you in a position of providing potentially terrible service when you have to make the prospect wait, and it does not allow you to manage your time well when someone just "stops by." As discussed earlier, January, February and March are a *verrry* busy time of year, and you want to maximize every opportunity you can as well as provide the best service you can. Set yourself up for success by finding out very early what the prospect's interests are

and what time of day he prefers to exercise. Then, invite him in to do what he wants to do at the time he likes to do it as your guest. Let people know that, "We are in our very busy season, and we want to provide the best possible service to you; therefore, we are scheduling appointments," and there you go... you have an appointment. If he bucks and asks for a guest pass instead of scheduling an appointment, then you will respond by saying, "Yes, we do have guest passes, and I can leave one for you. However, they are \$25 per day. If you would like to be my guest, which is by appointment only, then there is no fee. Which would you prefer?"

Practice these **Five Tools** consistently, and you will close more sales, shorten your sales cycle and create more guests who turn into members for the months to come. If you would like five more tools to create a great January, February, March and April, please join Karen in a free webinar hosted by Matrix on January 18 at 2PM MST. To register, please go to bit.ly/clubinsider29.

(Karen Woodard-Chavez is President



Karen Woodard-Chavez

of Premium Performance Training in Boulder, Colorado and Ixtapa, Mexico. Karen has owned and operated clubs since 1985 and now consults and trains staff throughout the world on sales, service, management and leadership. These services are offered on-site, online and through her books, manuals and DVDs. Karen can be reached by email at karen@karenwoodard.com or phone at 303-417-0653.)

Augie's Quest Update

From Augie Nieto:

THANKS to your unbelievable support of Augie's Quest to Cure ALS, we have HOPE! Our innovative science and cutting edge approach have resulted in a promising treatment.

(AT-1501) for ALS, our Precision Medicine Program, the world's premier program and partnership with ALS patients, has enabled us to add thousands of pieces of information to the battle to identify subtypes of ALS from which more precise treatments can be screened. This year is going to be a game changer for people living with ALS, all because of you. Thank You and Happy 2017!

Documentary "Augie" Coming in 2017

Lynne and Augie Nieto have been approached multiple times about sharing their journey. Not until they met the incredible team from PCH films, did they say yes. "Augie" will be released in late 2017.

Actor, director, writer and producer James Keach is excited about his newest documentary, "Augie." His most recent success was the award winning documentary, "Glen Campbell: I'll Be Me," which was nominated for an Academy Award and won three Grammy's. Keach



also produced "Walk the Line," for which the Producer's Guild of America nominated him Motion Picture Producer of the Year. "Walk the Line," was also nominated for several Academy and Golden Globe awards, winning the Golden Globe for Best Motion Picture and garnering Reese Witherspoon her Academy Award for Best Actress.

"It's a little scary sharing the intimate details of your life," commented Augie. "We immediately felt comfortable with James Keach, and knew he would tell our story with humor, love, and authenticity."

Join the Augie's Quest mailing list to receive up to the date information about screenings near you. Go to www.augiesquest.org.

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Fitness Formula Clubs Opens 10th Location In Downtown Park Ridge, Illinois

CHICAGO, IL - Chicagoland-based Fitness Formula Clubs (FFC) has opened their newest, ultra-convenient 66,000 square-foot facility, FFC Park Ridge. Known for its hub and spoke network of locations near train, bus and subway commuter transportation centers, this latest edition is 500 feet from the busy Metra train stop in downtown Park Ridge, Illinois. The free-standing facility will complement the district's lifestyle and combine innovative fitness offerings and energizing social spaces in an ultra-modern, community-building atmosphere.

Though the club will be an impressive oasis and recreational gathering space, the member experience is what will differentiate this home away from home for fitness lovers. FFC's relentless pursuit to exceed member expectations and employ the friendliest, most-qualified and engaged staff teams is fundamental to the DNA of FFC. This dedication to quality and community is apparent whether you are being greeted at the front desk by name, receiving your new member fitness

consultation, enjoying a spa treatment or receiving nutrition therapy services with a registered dietitian.

The facility will empower members and complement an active lifestyle. The club will offer four specially-constructed studios, including dedicated spaces for signature group strength, cardio and dance classes, mind-body yoga (both heated and non-heated) and Pilates mat classes, an FFC Spin Theater and a studio for Pilates apparatus training. A Performance Training Center utilizing MYZONE heart rate monitors will provide a high intensity and metabolic conditioning option for groups ranging from eight to eighteen. For water enthusiasts, the 6-lane indoor lap pool will offer swimming programs, endurance training and aqua aerobics. An outdoor recreational pool will provide an expansive sun deck with lounge chairs, fire-pit and a Splash Bar for socializing and special events. The full-size basketball court converts to volleyball or multiple pickleball courts.

FFC members will also enjoy



Fitness Formula Downtown Park Ridge

the convenient benefits of onsite physical therapy, full-service spa treatments, luxurious fully-equipped locker rooms, Kids' Club center with supervised children's activities and a retail sports shop. FFC's own local '84 café will be an energizing, go-to destination to pick up a quick pre- or post-workout bite, offering a variety of in-house organic wraps and salads, cold-pressed juices and all-natural, no sugar-added smoothies. In the evening, local '84 will be a destination to unwind and enjoy an adult beverage in a comfortable

communal atmosphere. The club grounds will boast beautiful natural landscaping, a community service bike repair station and complimentary weather-protected parking.

"This facility is uniquely designed with the member experience in mind," said Gale Landers, FFC Founder & CEO. "Our commitment is to meet the health, fitness and wellness needs of the surrounding communities while delivering a consistent overwhelming value proposition at an ultra-convenient location for anyone seeking a healthy and active lifestyle."

New Year Sales Success

By: Casey Conrad

"It's the most wonderful time of the year!" and I'm not talking about the famous Christmas song; I'm talking about January in the health club industry. Every fitness operator knows that a huge percentage of their annual sales come in the first 2-3 months of the year when consumers set New Year's Resolutions and flock to the gym. Owners and salespeople alike are in bliss because prospects are pouring in (in-club and online), and tours to conversions come relatively easy.

But, amidst all the success of the New Year also comes some sales pitfalls. Salespeople have a tendency to short-cut sales processes, skill sets can take a dip, prospects can fall through the cracks and new member follow up is often weak. Any club worth its weight can put up good numbers in the New Year, but only those who are disciplined can generate great results by ensuring they don't fall prey to these four pitfalls. Let's take a look at each and how you and your team can make the very most out of this power-sales season.

Let's start out with the most obvious of the pitfalls during super busy times of the year; short cutting sales processes. Most know that there is a specific set of sales steps one follows to ensure the best possible closing ratio:

- Meet and greet;
- Qualifying;
- Touring;
- Price presentation;
- Overcome objections;
- Get referrals; and,
- Establish a course of contact if they don't enroll.

It's not uncommon during the New Year to have prospects waiting for a salesperson to become available. Although this seems like a good problem, it's still a problem. Obviously, it's never good for prospects to become frustrated. When salespeople know there's another prospect waiting, they will often rush through two of the most critical steps to successful sales: qualifying and touring.

Instead of sitting down with every prospect and going through all the *Needs Analysis* questions, rushed salespeople will often tour on the fly, asking a few key questions about what the person is most interested in.

Shortening the qualifying process is perhaps one of the most egregious sales errors. Without going through the exercise history, goals and motivation and potential roadblocks questions of a proper Needs Analysis, a salesperson won't have enough information to (A) customize the tour, and (B) pre-handle objections.

Yes, the salespersons' closing ratio might remain the same, but with greater prospect engagement during the qualifying stage, a salesperson should see an improved outcome during the New Year sales cycle. It is tempting to rush through a sale when another prospect is waiting (and you're not sure the prospect you are with will buy), but you're better off maintaining a comprehensive qualifying stage and then shortening the tour by highlighting key areas of interest.

Solution: Sales Managers: monitor the length of time tours are taking and compare it to closing percentage. **Salespeople:** evaluate your Needs Analysis forms to ensure you are asking all pertinent questions.

A second common problem with the New Year is that sales skills have a tendency to drop. It's probably no surprise that one of the biggest skills to drop is overcoming objections. This happens for a few reasons:

●**First and foremost**, when prospects are walking through the doors with an intention and motivation to buy, salespeople actually get fewer objections. Like any skillset, if you aren't practicing regularly, there's a good chance you'll lose some of it.

●**Second**, because of the higher number of prospects walking through the doors, the salesperson doesn't have an urgency (and in many cases, a desire) to work hard to make the sale. This isn't a criticism, it's merely human nature. If you are being fed, why go out and hunt?

●**Finally**, and the one that will surprise some readers, is that, because of the shortened qualifying process that we discussed often happens, the salesperson literally doesn't have the right information he needs to construct a good "overcome objections conversation." Most salespeople feel uncomfortable with overcoming objections as it is. Without a strong rapport and prospect information, which comes from a comprehensive qualifying stage, many salespeople will feel "pushy." As a result, they don't question the prospect enough. Instead, he lets them walk saying, "They wanted to think about it," or "I set them up for a free pass because they wanted to try the club."

Solution: Sales Managers: work with each salesperson a minimum of once weekly, and take one or two of their missed sales and roleplay the scenario. Be sure to stay "in" the roleplay until it has been completed, either success or failure.

The next big challenge for salespeople in this busy time of year is preventing prospects from falling through the cracks. Again, it's a volume issue. With a seemingly endless supply of new prospects, it is easy to focus on "hot" leads that appear to be more promising. There are three specific categories of prospects that every salesperson needs to pay special attention to this time of year.

●**First**, it's imperative that salespeople establish a specific course of contact with a guest who does not enroll on their first visit. Remember that the goal of a no-enroll is to set an appointment BEFORE they leave a salesperson's presence. It's ideal if that appointment is for some kind of workout or visit back to the club; but in the alternative, it should, at a minimum, be a time to talk via phone.

●**Second**, salespeople need to stay focused on reaching out to referrals as soon as a new member provides names and contact details. This means that salespeople need to obtain contact information for the referrals, and they then need to be disciplined to schedule a block of time every day to make the outreach calls. Referrals are perhaps the best type of prospect for everyone involved: the member gets a support system, the salesperson has a relatively easy sale and the club owner has a happy new member.

●**Third**, salespeople need to stay on top of their warm leads. At any moment in time, if a salesperson has been with the club for any length of time, he will have a file folder full of missed guests and former members. Statistically, we know that someone who has been to your club is 300% more likely to join than a prospect who has not. This means that following up with warm leads is a virtual gold mine waiting to be dug!

Solution: Sales Managers: Run reports of missed guests by salesperson, and then, inspect call logs to make sure the warm-lead follow up is actually happening this time of year.

The final area that is problematic for salespeople this time of year is new member follow up. As an industry, it is understood that getting new members integrated into the club and using it regularly will greatly increase the likelihood that person will stay long-term.

Although it differs greatly, most clubs have some kind of process whereby new members are contacted at specific intervals by the salesperson who enrolled them. For example, a salesperson might call a new member three days post enrollment,



Casey Conrad

one week later and then again two weeks later. Some salespeople are better at these calls than others (since they are pretty fun calls), but the reality is that, for most salespeople, these aren't "Money Calls." A "Money Call," as you might suspect, is a call that results in a commission. Salespeople like money calls and pretty much avoid the others if they can! I know, that is a gross generalization, but fairly it's accurate. During busy times of the year, new members may already feel a bit "lost" in the sea of people; that means customer care calls are more important than ever!

Solution: Sales Managers: I encourage you to take some of the first quarter commissions and put them towards a competition whereby salespeople are incented to make new member calls. Furthermore, you should spot check new member calls by reaching out to new members personally to welcome them and casually inquiring if they had been contacted by their sales rep. Yes, that is micro-managing, but it's something that needs to happen with the majority of salespeople during the busy season.

If a sales team first recognizes the pitfalls that are present during the New Year rush (and other busy times) and works hard to avoid and/or minimize those things, they will take their sales acumen to another level AND help more people start a regular exercise program in the process!

(Casey Conrad is a long-time industry veteran who specializes in sales and marketing. She is the author of many health club publications, including the best-seller, *Selling Fitness: The Complete Guide To Selling Health Club Memberships*. For more information, go to www.HealthClubSalesTraining.com.)

The Year Ahead: Ten Predictions for the Health and Fitness Industry in 2017

By: Stephen Tharrett and Mark Williamson

Part I

On the eve of each new year, industry experts and prognosticators hunker over their computers, studying industry benchmarks and trends to extrapolate nuggets of wisdom in order to forecast, or at least predict, what will happen in the New Year. For these individuals, the goal is to be the voice of the near future, to provide a degree of clarity on what might be expected in the upcoming year, or as T.S. Eliot so eloquently said, "For last year's words belong to last year's language, and next year's words await another voice."

Our goal with this article is to lend an informed voice for the new health and fitness industry language of 2017. We understand that our prognostications are as likely to be right as wrong, and with any luck, they will bring forward insights to help industry professionals map out their expectations for 2017, including those that, at the moment, seem unexpected. So, it is with humility, and a touch of modern intellect, that we offer up our forecast on what the fitness industry might, or might not, expect in 2017.

An Informed and Gambling Voice for 2017

1. Unique, Different and Niche Will Become the Buzzwords and Strategy of the Enlightened in 2017 - Over the past few years, the health and fitness industry has experienced a few minor storms of "creative destruction," such as the introduction of budget clubs and boutique fitness centers. Yet, despite the emergence of these outliers, the vast majority of the industry has remained mired in stasis, chasing the same trends. Recent data from IHRSA (their *Health Club Consumer Report* and others) shows the number of fitness facilities has outpaced the growth in members for the past two years (negative gap of 3 - 5%), with the average number of members per facility down by 200 over the past five years. In 2016, ClubIntel conducted brand health studies for several operators, and what each showed, rather overwhelmingly, was the lack of differentiation from the consumers' perspective.

In 2017, we see more industry players, primarily independents and small regional firms, talking the talk about uniqueness, differentiation and niche and pursuing a business strategy that leverages what Youngme Moon, author of *Different* calls "lopsidedness." We believe the

enlightened operators understand that different, niche or unique is not about a new price point, a different color logo or the insertion of a new program; instead, they see the pursuit of lopsidedness as having a passion and discipline to make disruptive, sustainable and constant innovation a mantra within their organization. We believe that, in 2017, enlightened players will use a form of business CRISPER (gene splicing) to create a new business genome that creates true lopsidedness for their businesses, and consequently, sustainable differentiation in an industry of sameness.

2. Migration to the Poles Continues to Gain Momentum in 2017

- Industry data clearly shows the industry is shifting to a polar structure, where price being in the middle is a form of purgatory. According to data from IHRSA's *2016 Health Club Consumer Report*, budget clubs grew by approximately 70% over the past two years, boutiques by 74% and premium commercial clubs by 21%, while mid-market commercial clubs and non-profits experienced sluggish to no growth. This polarity does not necessarily speak to a drive for uniqueness or differentiation, as pointed out in our previous prediction, but more to a scared herd response to avoid business dormancy. The question becomes, which path will industry players take? For the moment, it looks like the budget club approach has garnered a larger following of sheep, possibly due to their having lower cost of capital, ease of scalability and multiple franchise models. What operators need to ask themselves in 2017 is, "Do I migrate to one of the two poles, or do I stake out an entirely different position?"

3. Budget Battles - As brought forward in Prediction #2, the budget club business model appears to be growing faster than any other. In the U.S., there are a host of players, many of whom have well-financed investors behind them (e.g., Blink, Chuze, Crunch, Fitness Evolution and Planet Fitness). We postulate the market can't support a glut of budget players (just look at other industries where budget models have proliferated), whose business model is heavily dependent on continual high volume sales intended to overcome low price points and the accompanying high customer turnover. Already, we are seeing markets where the consumer base is not sufficient to support multiple budget players without one losing out. We reckon the market response to this will be two-fold. First, there will be the inevitable attempt to differentiate by lowering prices



Stephen Tharrett



Mark Williamson

and using technology to create new self-directed experiences. Second, once the aforementioned steps fail to stem the tide, we expect the leading players to consolidate their position by consuming their weaker competitors.

4. Big Box National Mid-Market Clubs Too Big to Thrive

- IHRSA's data shows that mid-market clubs are finding it challenging to grow, with the average member count per club dropping. Sameness is causing problems, and removing a competitor through merger, acquisition or other means is now a necessary approach to ensuring survival. In 2016, we saw 24 Hour Fitness and LA Fitness exchange clubs based on regional efficiencies that removed a competitor from the market (ensuring survival of one). We saw Genesis Health Clubs, Gold's Gym and 24 Hour Fitness complete a 3-player trade in the Plain States for similar reasons. In the U.K. we saw Fitness First, once over 100 strong in the U.K. and 500 worldwide, be sold off to bidders, while LA Fitness, a former darling of the U.K. industry got sold to a budget operator. In both instances, the transactions removed a large vanilla competitor and provided a platform for the acquiring firm to succeed. What we see is an environment where being too big (having too many locations) and too vanilla (similar value proposition as other competitors) is a recipe for stagnant or even negative growth. Our industry is not like banking in that no one is too big to fail, and possibly, being too big is the recipe for mediocrity in a niche business climate. In 2017, we foresee at least one major player bowing out while others continue to shuffle their decks in hopes of getting a Royal Flush.

5. Digital and Mobile Engagement with

Clients Becomes an Industry Necessity

- According to the *2016 International Fitness Industry Trend Report - What's All the Rage*, led by ClubIntel, the use of technology in the fitness industry has experienced explosive growth over the past few years, in some instances growing by as much as 400%. Despite this record growth, the use of technology remains in a near embryonic state based on the overall levels of industry adoption for many of the technology tools. It seems the industry has seen the light; digital and mobile technology are no longer a practice to be considered, it is a necessity for competing in a mature market where the most influential consumers (Millennials) are digitally and mobile savvy. Cloud-based applications and mobile platforms appear to be primed for explosive growth. In 2017, clubs or studios who fail to incorporate cloud-based platforms and mobile applications into their business will find themselves left in the wake of more progressive operators. We also believe, possibly slowly at first, that 2017 will usher in the use of mobile wallets and cloud-based platforms such as PayPal as methods by which their members and clients can pay for membership and for in-club services.

• • •

Stay Tuned for **Part II** in the **February 2017 Edition of CLUB INSIDER.**

(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 stevet@clubintel.com and Mark can be reached at markw@club-intel.com)

The Most Versatile Commercial Loan Product

By: Paul Bosley

Do you own a fitness center and want to expand your business or open a new location? Do you want to refinance your existing debt to lower your monthly overhead? Are you tired of paying rent to a landlord and would rather own the real estate you operate your business? Do you want to open your first fitness center or personal training studio, but you need financing to do it?

If you answered "yes" to any of these questions, the Small Business Administration (SBA) 7(a) loan may be your answer. This national loan program designed by the Federal Government is offered by many national banks and can be used for a variety of purposes. The SBA offers loan guarantees ranging from 50% up to 90% of the loan amount to reduce the risk of the lender, which makes securing an approval more likely. The following information is being provided in outline form to simplify the features of the variety of uses for this loan program.

The SBA 7(a) Loan Program's Four Main Uses

1. Finance a Start-up Business:

- Use of funds to finance up to 70% of the total costs which typically includes fitness equipment, non-fitness equipment (signage, entertainment system, flooring, etc.), start-up working capital, build-out, deposit, operating working capital, franchise fees (if any), etc.

- Owners' Equity injection must be at least 25% of the total costs (cannot be borrowed money).

- Good resume of practical experience and/ or related education.

2. Finance the Expansion of an Existing Business:

- Use of funds to finance up to 75% of the total costs which typically includes fitness equipment, non-fitness equipment (signage, entertainment system, flooring, etc.), start-up working capital, build-out, deposit, operating working capital, franchise fees (if any), etc.

- Owners' Equity injection must be at least 25% of the total costs (cannot be borrowed money).

3. Debt Consolidation for an Existing Business:

- Use of funds to refinance 100% of all existing business debt which can include equipment leases and previous loans of all types.

- Refinancing can only include existing credit card debt if it can be easily proven that the debt was incurred for business purposes only.

- The resulting monthly payment must reduce the total monthly payments of all existing debt by 10%.

Common Criteria, Terms and Conditions for the Three (3) Uses Listed Above:

- Collateral is all business assets and personal assets, typically residential real estate only up to the dollar amount of the loan.

- Good personal credit, typically 675 credit score or above.

- Loan Repayment Term of 7 - 10 years.

- Prepayment penalties range from 1-4% over the initial term period.

- Interest Rate is Prime (3.75%) plus a risk premium, typically 2.75% = 6.5%.

- Closing Costs are typically 3% of the loan amount, added on to the amount financed at closing.

- Timing to close is 90 days but varies with bank workload and borrower responsiveness.

4. Real Estate - Commercial Mortgages:

- Use of funds to finance up to 90% of the acquisition cost of the real estate.

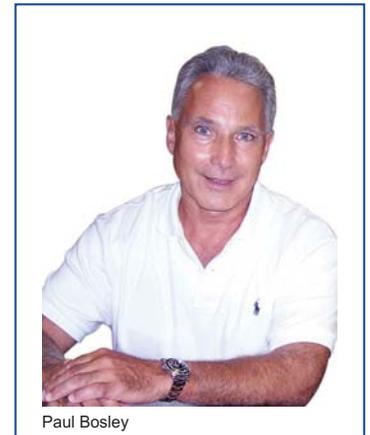
- Owners' Equity injections must be at least 25% of the acquisition cost of the real estate (cannot be borrowed money).

- Fitness Center must be over 50% of the usable space.

- This provides an opportunity to be a landlord to rent out up to 49% of the usable space.

- Terms and Conditions:

- Collateral is real estate being purchased.
- Good personal credit, typically 675 credit score or above.
- Loan Repayment Term of 20 - 25 years.
- It's a fully amortized loan, so there will



Paul Bosley

- be no balloon payment.
- Prepayment penalties range from 1 - 4% over the initial term period.
- Interest Rate is Prime (3.75%) plus a risk premium, typically 1.75% - 5.5%.
- Closing Costs are typically 3% of the loan amount, added to the amount financed at closing.
- Timing to close is 90 days but varies with bank workload, time for real estate appraisal and borrower responsiveness.

Conclusion

The benefits of using the SBA 7(a) program is that you have only one monthly debt payment amortized over the longest term available without a significant prepayment penalty. The use of funds is nearly unlimited as long as it's a legitimate business purpose. The interest rate is lower than any other source of debt financing available in today's marketplace.

Since the time to close the loan is longer than an equipment lease, which is the most common form of financing in the fitness industry, advanced planning and attention to detail is required. One secret to financial success in business is to secure financing at a cost lower than the company's profit margin. Since the SBA 7(a) loan has the lowest APR available, it is recommended that you consider securing financing for the wide variety of uses with this very flexible loan product secured by the federal government.

The SBA loan programs are made possible by our collective tax payer dollars at work! May God bless America, the greatest country on earth!

(Paul Bosley is the Owner of Business Finance Depot. You can reach Paul by phone at 800-788-3884 or email at Paul@healthexperts.com)

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Understand the Power of Why and You Will Close More Sales

By: Erik Charles Russell

I have two teenage daughters, Kylie and Kiera, ages 15 and 17. When they were little, I used to have to take them on my weekly grocery shopping trips. I was a single father, and leaving them at home at ages 2 and 4 years old, however tempting, just wasn't the right thing to do.

For them, knowing that they were going to the grocery store brought out so much excitement and anticipation. For me, knowing that I was taking them to the grocery store brought out so much anxiety and stress.

Every week, upon entering the store, all of the eye level goodies, pretty packages and displays had them mesmerized. This was nothing like the plain, locked cabinets they saw all day at the house and couldn't open.

As I went down aisle after aisle, it felt like I was accompanied by two octopuses. Their tentacles grabbing any box, jar or bag they could reach. My

shopping trips with them involved putting more things back on the shelf than it did putting things in my cart.

Eventually, they would learn that they needed to ask me before they just grabbed something and put it in the cart. Then, I could simply reply, "No" and end it there. Easy, peasy.

I have a term for parents who think saying, "No," is where this conversation ends. They're called *NEW* parents. We veteran parents know that this conversation doesn't end there. We know what's coming next. A one word question that is so powerful it is literally used to unlock the mysteries of the universe.

The question is, "why?"

"Why does the Earth revolve around the Sun?" "Why is the sky blue?" "Why can't I have this bag of candy?"

Why. Behold its *power*. You can't say yes. You can't say no. It forces you to think. It forces you to come up with some type of explanation. When it's used in your sales process, it will get your prospect

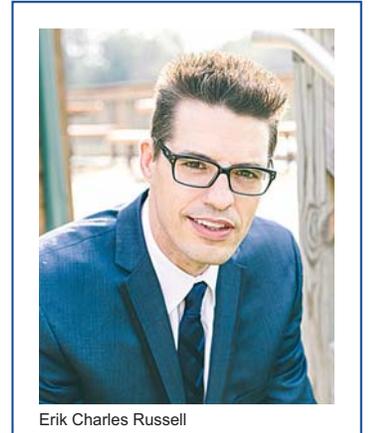
talking. They will talk about their interests, their needs, and more importantly, their motivations. Motivation is *why* they are your prospect in the first place. A lot of times, new clients of mine will tell me that they always get their prospect's motivation.

"Their motivation is to lose 25-30 pounds," they'll say.

That is not their motivation. That is their tangible goal. A goal is quantifiable; motivation is not. That's why the prospect's motivation is hardly ever touched upon in most membership sales processes. It's information that is not volunteered like a goal is. You have to ask for it.

Why does your prospect want to lose 25-30 pounds? The answer may be, "They couldn't fit into their favorite pair of jeans this morning, and it was depressing." It may be, "My wife said something about my ever-expanding love handles."

When you ask your prospect why, their mental computer will search for and come up with an answer. Those answers help you get a better understanding of your



Erik Charles Russell

prospect's motivation for doing what they are doing.

There are so many gyms, clubs and studios out there, probably five to ten within a 25-mile radius of yours. Why did this prospect come to your gym? Why (See *Erik Charles Russell Page 30*)

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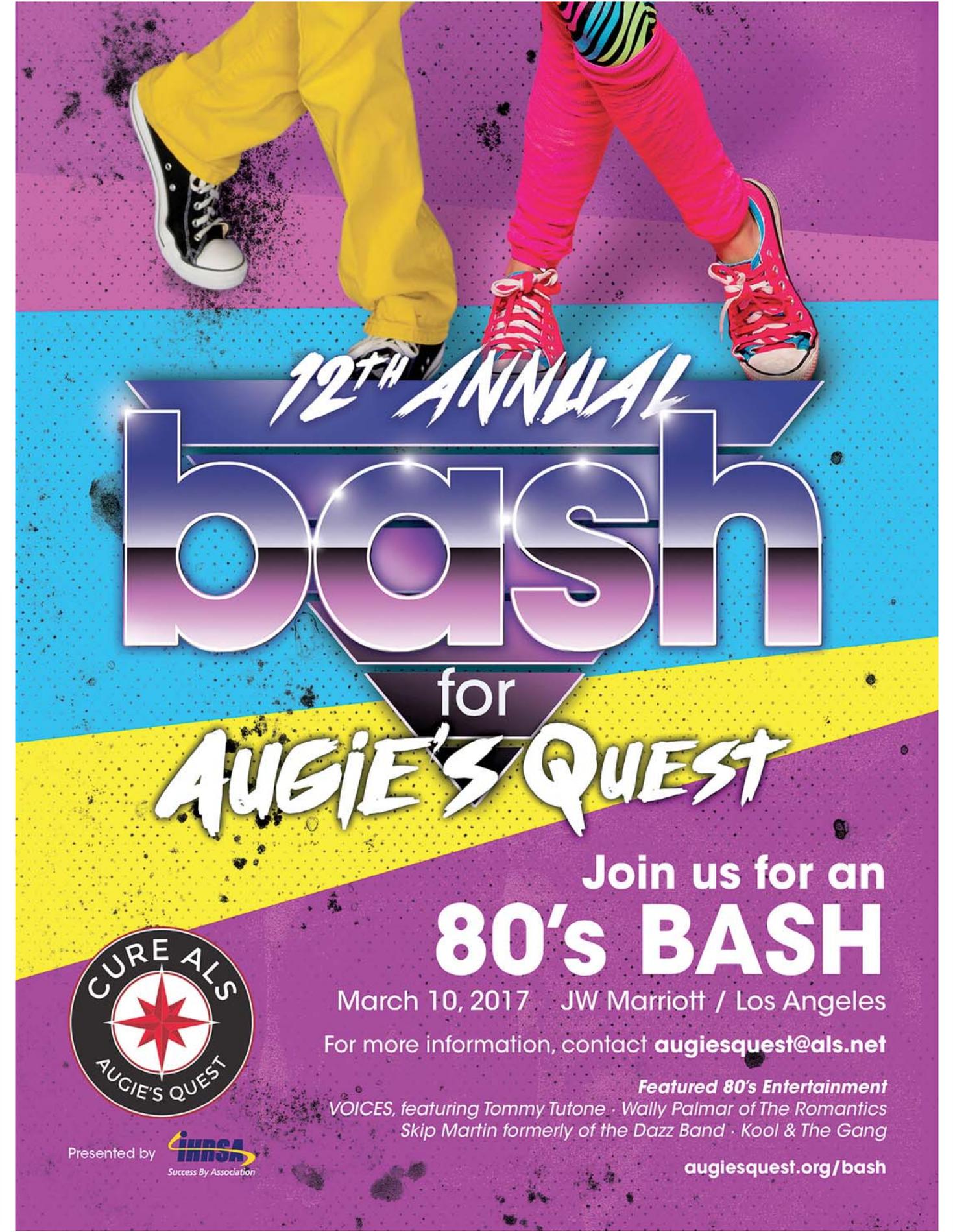
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...Erik Charles Russell

continued from page 27

should this prospect become a member?

Two thirds of the American population is out-of-shape, fat or obese. Why does your prospect want to be different?

The more "whys" that you ask, the deeper the understanding you will have of your prospect. Let me ask you a why, "Why are you reading this article?"

You may answer, "Because I want to close more sales."

Why do you want to close more sales?

Your next answer may be, "Because I want to make more money."

Why do you want to make more money?

"Because I want to buy a nice car."

Why do you want a nice car?

"Because a nice car will show the world that I'm successful."

Why do you want to show the world that you're that you're successful?

"Because I want all of my friends to admire my success."

You see? Your tangible goal is to close more sales. But, your ultimate motivation for reading this article is ego. You want to impress your friends and anyone else who sees you driving by, something that I would have never understood about you until I asked you "why?!"

This is an exaggerated example, but do you get my point?

You may have heard the following statement before: People make decisions for emotional reasons. Asking *why* is how you get those emotional reasons. When you get the emotion behind the goal, your membership closing percentage will go up.

When I was writing my best-selling book, *The Art of Selling Memberships*, I sought out the help of another best-selling author, Mike Koenigs. Mike teaches people how to write and publish books. After hearing the story of how he wrote his first book, it inspired me

to finish mine.

When Mike was 46 years old, he was diagnosed with Stage 3a cancer. He found himself lying in a bed at Duke University Medical Hospital in Durham, North Carolina surrounded by people who were dying. He didn't want to leave this earth without leaving something behind for his wife and young son, Zak. That's the moment Mike decided to write his first book.

With only an hour of strength per day, waking up in a pile of his own hair that had fallen out the night before from chemotherapy, he wrote, published and promoted his first book. That book became a number one bestseller, and he did it from his hospital bed using his iPhone.

Mike understood his *why*. There was a chance he was going to die soon. He wanted to leave a message and a legacy for his young son to follow and be inspired by. He also wanted to create

something that could produce an income for his family long after he passed away. Mike asked himself why to get the motivation to overcome these seemingly insurmountable odds.

The great news is that Mike didn't die. Not only did he not die, but he also went on to write seven bestselling books and has taught over five hundred people how to do the same. I'm one of them.

Channel your inner 4-year old and ask a lot of *whys*. You'll get a deeper and better understanding of your prospects and their motivations. In understanding them better, you will position yourself as an expert who actually cares about them, and you will close more membership sales. (Erik Charles Russell is Author of *The Art of Selling Memberships*. See Erik's Ad on Page #10. Erik can be reached by email at erik@sellingmemberships.com. For more information, please go to www.sellingmemberships.com)

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Thanks and Appreciation

At CLUB INSIDER, we are excited to begin our 24th 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 24-year run possible.

A very sincere **Thanks and Appreciation** go to **Rick Caro, Dr. Gerry Faust** and the **Faust Executive Roundtable #1** for helping me decide in 1993 what my home-based business would be. **Thanks and Appreciation** to my long-time friends, **Ron Hudspeth** and **Cathy Miller** of Atlanta's **Hudspeth Report** for the tremendous assistance they provided us during *our first eight years of publication*. **Thanks and Appreciation** to all of the folks at **Walton Press** in Monroe, Georgia. They've done an absolutely excellent job for us all these years and have printed every one of our 277 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 23 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 24 years now, has truly been a fantastic partner for his Dad in **CLUB INSIDER**. Justin does our editing, publication layouts, all of our website design and maintenance, all of our bookkeeping and subscription processing work, as well as archive management and anything else that needs doing, including writing eight cover stories per year.

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

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

Norm Cates, Jr.

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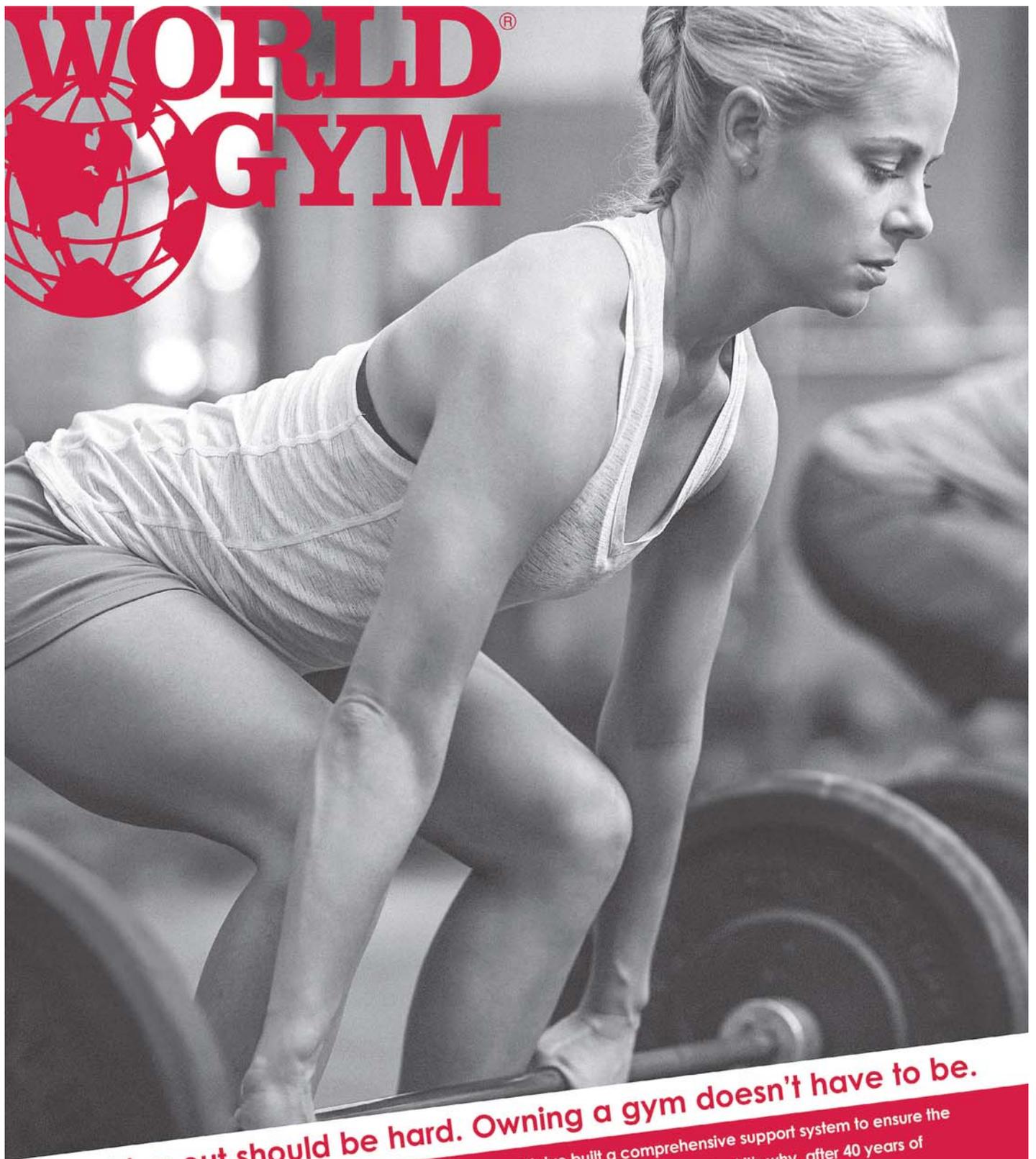
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