

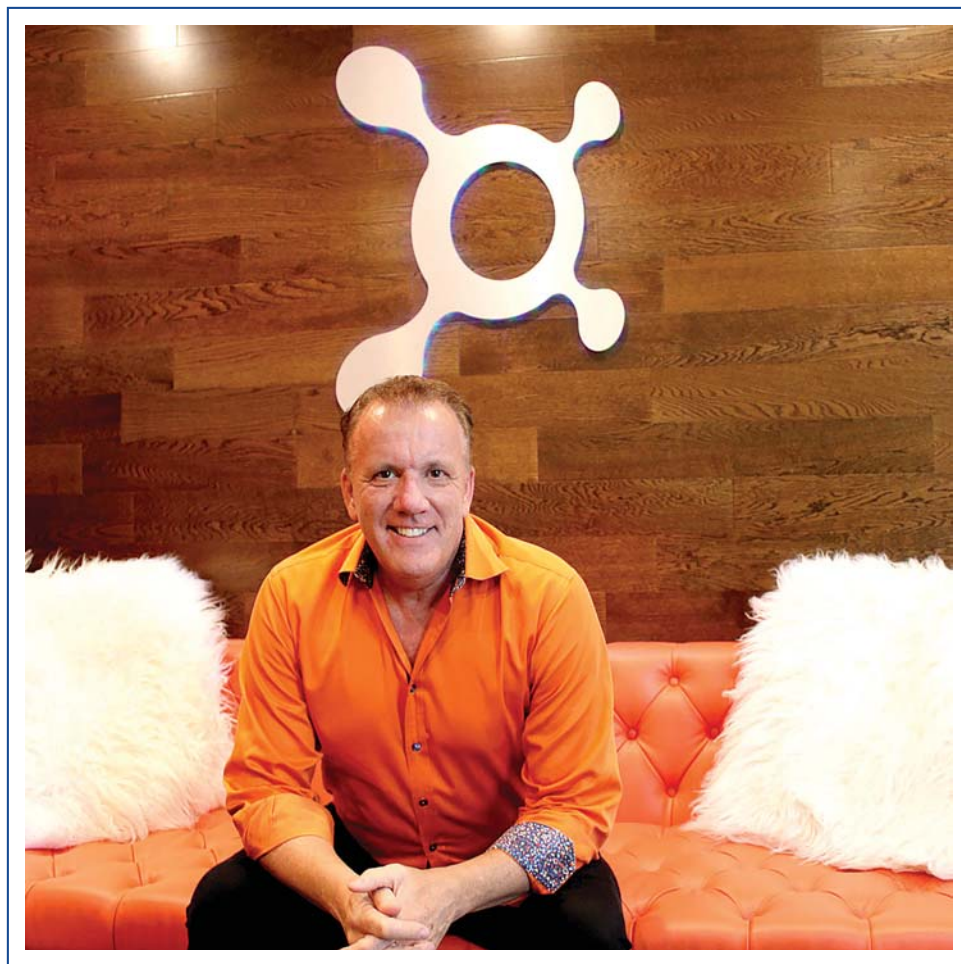
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CLUB INSIDER

CELEBRATING 30 YEARS OF TRUST

Terry Blachek

His Name is Terry, and He is Your Friend.



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CLUB INSIDER

CELEBRATING 30 YEARS OF TRUST

Terry Blachek

His Name is Terry, and He is Your Friend.

By: Justin Cates

What are some of the key attributes of success in business? I'd start out with a vision, a plan, people, timing, and hopefully, some money. The latter (money) can be combatted when all the other elements are really chugging along, whereas the latter cannot usually combat the lack of the former (vision, a plan, people and timing), at least not forever.

This month's cover story subject, **Terry Blachek**, CEO of Austin Fitness Group (*Orangetheory Fitness Area Developer*), paints this picture to a T, as he discusses his work with Orangetheory Fitness, both at the corporate level during the advent and in the early days of the

brand, as well as today, being a successful Area Developer of the company.

His journey has taken him from being a schoolteacher to an entrepreneur and back to teaching, now doing so with his podcast, *Tuesdays with Terry*. Over the course of 30+ years, Terry has seen a lot, and those experiences have woven a tapestry he shares with others. It's a beautiful thing.

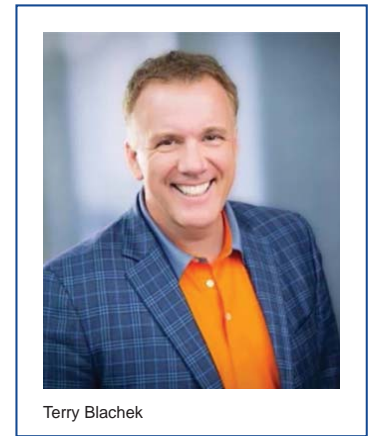
As he says on his website, "*My name is Terry, and I am your friend.*" This month, we are pleased and honored to feature an in-depth interview with our friend, and soon to be yours, Terry Blachek. And, if you're reading this on a Tuesday, bonus points for you!

An Interview With Terry Blachek, CEO of Austin Fitness Group (Orangetheory Fitness Area Developer)

Club Insider (C.I.) - Where were you born, and where did you grow up?

Terry Blachek (TB) - I was born in a little town called *Montrose* in northeast Pennsylvania. My grandfather was a farmer, and he and his brother started a feed business. My parents inherited that feed business, and that particular business is what helped put me through school, college and everything else.

Interestingly, I'm actually a *Mayflower* descendant. My maternal grandfather's name was **Herbert Ross**. (See *Terry Blachek* Page 10)



Terry Blachek

Crunch Fitness Rises in Entrepreneur's Annual Franchise 500 Ranking

PORTSMOUTH, N.H. - Crunch Fitness demonstrates continued growth in *Entrepreneur's 44th Annual Franchise 500* ranking, maintaining its spot in the top 10% for the second year in a row. Climbing the ranks from #43 to #39, Crunch exhibits how franchisees have successfully adapted and evolved to meet the unique circumstances and opportunities that have shaped the industry over the last three years.

Crunch has experienced dynamic growth in the high-value, low-price fitness industry, increasing membership by 60% from the onset of the pandemic until now, including opening more than 100 new clubs and selling more than 300 new franchise rights.

"Entrepreneur's 2023 franchise ranking speaks to Crunch's unwavering growth and the strength of our franchise network," said **Ben Midgley**, CEO of *Crunch Franchising*. "I'm grateful for the support of all of our members and am proud of our dedicated franchise owners and their team members for their determination and resiliency that has led Crunch to be a leading franchisee."

As Founders of the "No Judgments" philosophy, Crunch embraces a culture of positivity, encouragement and inclusivity, all while being a place for fun, fitness and entertainment. Crunch is renowned for its spacious, modern clubs and for leading proprietary group fitness

programming including more than 80 innovative classes with 12 new boxing and high-intensity interval training (HIIT) classes launching this year. Members looking for additional guidance, motivation or recovery can utilize the HIITZone, a unique high-intensity interval group training program, work with top-notch personal trainers and spend time in the Relax and Recover areas.

Entrepreneur's 2023 Franchise 500 offers a comprehensive overview of the state of the franchise world as it emerges from the most challenging days of the pandemic into uncertain economic conditions. The company's 43-year-old ranking formula includes research and



assessment from the editorial team on franchise costs and fees, size and growth, support, brand strength, and financial strength and stability.

Inside the Insider: Edition #350

- Exercise IS Medicine - By: Mike Alpert
- Let's Do the Math: How Social Is Your Club? - By: Jeffrey Pinkerton
- Managing Moments of Truth - By: Herb Lipsman
- CSC First Health Club to Offer Free Confidential Counseling Program for Mental Wellness
- Riding the Recovery Wave for Revenues - By: Casey Conrad
- And, of Course, *Norm's Notes*
- How to Calculate Business Risk - By: Jim Thomas

Norm's Notes

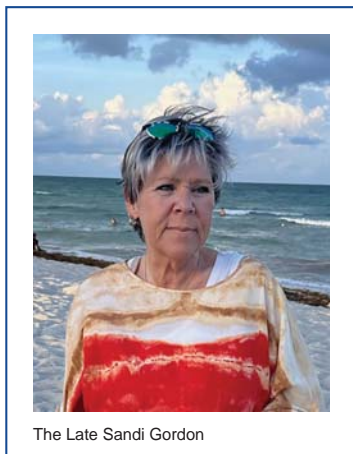
■HELLO EVERYBODY!!! This is your **Club Insider Founder and Tribal Leader Since 1993** excitedly checking in with our **350th monthly edition of this home-based "Labor of Love" we call Club Insider!** YAHOO!!! This is a **milestone edition**, and we have a good one for you folks! **STAY TUNED** as we dig in now to share recent news and thoughts with you!

■Is AMERICA a GREAT COUNTRY, or WHAT? GOD BLESS AMERICA and GOD BLESS YOU ALL!!!

■This very sad news hit us very close to press time. I received a phone call from RAY "RAYBOB" GORDON, my 40+ year industry friend, who informed me that SANDI, his beloved wife, and also my 40+ year good friend, passed away on Tuesday, January 24th after a long battle with cancer. Because of the timing, we will more thoroughly report on this in our March 2023 Edition. There is a lot of story to tell about the Life and Times of the wonderful and beautiful lady, Sandi Gordon. May SANDI GORDON Rest In Eternal Peace.

■RICK CARO shared the sad news that AMY ALLISON STEELE had passed away

on Thursday, January 19th. Years ago, in the early years of IRSA/IHRSA, Amy was in charge of IHRSA's Conventions. She helped attract national speakers and big names. Amy was very creative, and she made IHRSA into a big-party event on the last night of the convention, bringing the industry closer. Amy was special in leading the educational component. Later, she got married and re-located to Denver where she then worked with The Ski Owner's



The Late Sandi Gordon

Association. Amy was married with three grown children. She fought an amazingly courageous fight over many years to combat a life-threatening illness. **MAY AMY ALLISON STEELE REST IN PEACE.**

■TERRI HAROF, Workout Anytime's Director of Franchise Development, has shared with us that **Workout Anytime finished 2022 with 15 new locations and new club signings for 49 additional locations.** Word is the fitness franchise has made plans to sell an additional **50 units in 2023**, and they've planned to have **210 gyms open by the end of next year!** With 15 new gyms opened, deals for 49 more signed, system-wide revenue increases and new markets broken into, Workout Anytime, our long-time **Outside Back Page Advertiser**, is an excellent and very high-performing leader in our industry!

Their recently launched "Home-town Model" offers an expansion approach fit for club owners seeking to grow within smaller communities. Now as the company looks to 2023, **Workout Anytime will open flagship locations in Arizona, New Mexico, New Jersey and Maryland...** as it builds out locations nationwide to meet the demand of the ever-growing \$32+



Norm Cates

billion market. While the market itself is estimated to have grown by just over 4% in 2022, Workout Anytime's year-over-year growth far surpasses that statistic, with the entire system up by 10.6%, and the Top 50 Franchisees having seen a gross revenue increase of nearly 18%!

As the brand continues its development efforts, it is specifically targeting Alabama, Florida, New Mexico, (See Norm's Notes Page 7)

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Exercise IS Medicine

By: Mike Alpert

It is hard to believe, but **Hippocrates** was the *Father of Scientific Medicine* back in 460 - 370 BCE as the first physician to provide a written exercise prescription for a patient with the disease of consumption. I am not sure what "over eating" back then referred to, but today, we only have to watch the ads on television to get a good idea of how food is valued, and often, it is not by quality but rather by quantity.

During the recent NFL Playoff games, there were ads for many of the fast-food restaurants promoting double and triple burgers with bacon, cheese and lots of sauce. Can you imagine the cholesterol and fat that is consumed with that burger? For far too many people, that is something they look forward to everyday. And, if adults are eating these, is it fair to assume that their children are doing the same? Now, let's include this with video games, television, lack of Physical Education in our schools, almost two years of lockdowns and no in-person school for kids and young adults and we have a very serious situation. What is it going to take to right the course?

Exercise has been widely used as preventative medicine to reduce the risk and incidence of cardiovascular and metabolic diseases related to sedentary and unhealthy living. It has been referred

to as the "wonder" drug and a "miracle" cure. Research indicates that regular exercise is effective in the prevention and treatment of many common diseases including type 2 diabetes, some cancers, dementia, depression, heart disease and other common serious conditions. Consider some or all of these benefits of Physical Activity:

- Improves your memory and brain function for all age groups;
- Protects against many chronic diseases;
- Aids in weight management;
- Lowers blood pressure and improves heart health;
- Improves your quality of sleep;
- Reduces feelings of anxiety and depression;
- Combats cancer-related fatigue.

A study by *Tufts Now* as far back as February 6, 2014 found that exercise affects outcomes about equally as well as prescription drugs for coronary heart disease, pre-diabetes and stroke.

Endurance activities often referred to as aerobic, increase your breathing and heart rates. These help keep you healthy, improve your fitness and help you perform the tasks you need to do every day. Endurance exercises improve the health of your heart, lungs and circulatory system.

Strength training helps build strong muscles and strong bones in addition

to improving your balance and risk of falls, especially as you age. And, in women, it helps reduce the risk of osteopenia and osteoporosis.

We also know that physical activity can improve your cognitive health, helping you think, learn, problem-solve and enjoy emotional balance. It can also improve memory and reduce anxiety and depression. And, the best part is any amount of physical activity can help.

But, remember that nutrition plays an extremely important role in a person's overall health and quality of life. All the exercise in the world and terrible eating habits is a prescription for failure. We certainly have missed the mark here. I began this article by referencing the television ads during the NFL Playoffs, but these types of ads run all day and all year. And, they promote foods that are not good for us and in huge proportions that value quantity over quality. Further, think of what our kids are exposed to now that they are finally again back in class.

We continue to get fatter and fatter and in poorer health every year, yet our Government continues to rely on Big Pharma with costly drugs and costly procedures to solve the problem. As I have said in previous articles, consider how much money Big Pharma puts into television advertising and listen to the 15 seconds of possible side effects from what they are



Mike Alpert

selling and ask yourself if this is really the best cure. Yet, insurance companies and Government won't consider and endorse Exercise as part of the solution.

Let's work together to change this picture. Let's make sure that exercise is part of the healthcare standard, and let's make sure that as an industry we are promoting **Exercise IS Medicine**.

(Mike Alpert is the COO of Smart Health Clubs. He can be contacted at mike@smarthealthclubs.com or 951 - 205 - 1136.)

Cincinnati Sports Club First Health Club in Nation to Offer Free Confidential Counseling Program for Mental Wellness

CINCINNATI, OH - *Cincinnati Sports Club* takes great pride in being a steward to their members by fulfilling the whole person, serving them physically, mentally, emotionally and spiritually. The club recently began providing free, confidential counseling services by licensed mental health professionals to their members.

According to **Marco Fiorini**, *Cincinnati Sports Club General Manager*, "While many health clubs offer free classes such as meditation, that are designed to reduce stress and ease depression, no other club in the country is providing this ongoing, comprehensive level of mental health services to their members."

He continues, "Depression and anxiety are at an all-time high, with an estimated 16 million Americans struggling with mental health issues each year. While regular exercise five days a week has been proven to ease both depression and anxiety, many people still struggle, needing additional help and guidance from a mental health professional. We are now 'filling the gap' for our members by providing them

with this extra support that serves the whole person, helping them to better navigate the stress, anxiety and other issues that may arise in their day-to-day lives."

"Our partners at TriHealth Healthcare Systems in Cincinnati were integral in making this happen," says Fiorini, "as they have successfully provided EAP's, (Employee Assistance Programs), to corporations throughout the tristate region for years. Through our collaborative efforts, we worked together to find a way to offer these much-needed services to our members. Being able to keep these sessions completely confidential was key, as it establishes a level of trust with our members. We will never receive the names of the individuals that are using this program. We will, however, be able to track the number of people that have utilized these free services."

No referral is needed for this MAP (Member Assistance Program), and club members may register confidentially with a TriHealth counselor licensed by the CSWMFT (Counselor, Social Worker and

Marriage and Family Therapist Board), for three, free Telehealth sessions. If they wish to continue working with a mental health professional on a long-term basis, the TriHealth team will refer them to a resource that will work with their insurance, their employer's EAP (Employee Assistance Program), or other outside resources.

Heather Luttrull, *Club Manager at the Cincinnati Sports Club* adds, "There have unfortunately been instances throughout our 30+ years when we have had to refer members for outside professional help before restoring their club membership due to various behaviors which were outside the norm, or instances where they became a threat to others or themselves. These behaviors included process addictions, anger issues, inappropriate language and theft.

We have been using these same tools and guidelines with our employees over the years by making mandatory referrals, as needed, to mental health professionals, and now, our members will be able to receive this same level



of professional counseling through our partners at TriHealth."

Fiorini concludes, "Serving the whole person has always been our goal, and we are proud to be taking this next step in making a long-term difference in our members' lives not just physically but mentally and emotionally as well."

For more than 30 years, Cincinnati Sports Club has been continually evolving and growing to meet the changing needs of their members, providing the best elements of a health club, social club and medical wellness facility to fulfill the whole person that they serve by keeping them active, connected and engaged. For more information, visit www.cincinnati-sportsclub.com.

...Norm's Notes

continued from page 4

Missouri, Kansas, Texas, Virginia, Pennsylvania, New Jersey and Arizona for growth. **You should check out Workout Anytime's Outside Back Page Ad.** And, you can reach **TERRI HAROF** at terri.harof@workoutanytime.com or (770) 809 - 1425. Stay tuned, folks, as Workout Anytime starts 2023 with a bang!

■Welcome back to **Sam Lanasa's Swift Financial Services** as they continue with the **Club Insider Advertising Team in 2023!** Bringing humanity back to collections, Swift can get the job done for you! Check out their **Ad on Page #9.**

■Folks, **LAURY HAMMEL**, our *January Cover Story Subject*, wrote the following to **Justin and I** to thank us for the job we did on his Club Insider Cover Story celebrating 50 years in the industry! Here's what Laury wrote:

"Norm and Justin,

I received the copies of the *January 2023 Club Insider* on Saturday. WOW! It looks terrific and certainly committed the space for the essence of our 50 Year story! Myke and I are forever appreciative of the honor you gave us and our business. The interview was fun, and the layout was beautiful. I have received numerous positive comments from our staff, members, friends and family. You and Justin's good work and your business gave us a life-time gift that I will always treasure. We, of course, are using this interview to share the story of Longfellow: the why, the what, the when and the how!

People have told us, 'I knew you've been around for a long time, but I had no idea of the depth and breadth of the *Soul of Longfellow*, and your impact on our community.' I was especially moved by the end of the interview where we both celebrated the power of love! You and I have known each other for 50 years, and it's been an honor to learn from you, other industry leaders, and from the terrific stories you share in the *Club Insider*. Our industry is blessed with a veritable cornucopia of club owners who are in business because they love working with a team to provide life-changing health and recreation programs for their community, programs that become a pivotal part of a community's life and enhance the health and wellbeing and bring joy to our members and clients.

Congratulations to Club Insider for 30 years of Trust, and thank heavens for Club Insider that has a mission of celebrating health clubs and our industry every month! Few industries have a publication that cares so much about the providers of the product and service. When we celebrate health clubs founded by love and practice with love at the core, we help grow our industry, which

in turn, changes people's lives every day for the better! With deep gratitude and love, Laury."

Laury... Justin and I appreciate the opportunity we had to update the industry on your **50th Anniversary**, and we're proud to have done so in our **January, 2023 edition. Cheers!**

■Welcome to new *Club Insider Contributing Author*, **Herb Lipsman**. Herb is a veteran of the club industry, having managed some of the most prestigious athletic clubs and golf/country clubs in the Houston, Texas market over the past 30 years, including: *The Houstonian Hotel, Club and Spa, The Clubs at Houston Oaks, Golf Club of Houston and VillaSport Athletic Club and Spa*. He is now a consultant and book author, so we are very happy to have him on our team to present excellent articles to you! Check out his inaugural **Article on Page #16.**

■Welcome Back to long-time *Club Insider Contributing Author*, **Casey Conrad!** Casey has been on hiatus as she entered the realm of wellness and holistic services over the past several years. Now, she is back to report on what she has learned so you can incorporate in your offerings! Check out her return **Article on Page #18.**

■Here's some news from **IHRSA's JEFF SOLSBY**, who shares the *Industry's Voice in Congress*. Jeff comments:

"As a new Congress is sworn in and begins its session, *IHRSA President and CEO*, **LIZ CLARK**, and *Vice President of Government Affairs*, **MIKE GOSCINSKI**, have ramped up their outreach and advocacy efforts on behalf of the industry. Mike spent considerable time meeting with new Representatives and their staff. And, Liz sent a letter to **U.S. House and Senate leaders** outlining key association policy priorities. These efforts, with the support of the *National Health & Fitness Alliance*, the *IHRSA PAC* and other coalition activities, will work to elevate the fitness industry's profile and advance our priorities. To learn more and get more engaged, please contact **Mike Goscinski** at IHRSA by calling **(800) 228 - 4772.**"

■Here's more IHRSA news... The **IHRSA Award Nominations Are Now Open**. Each year, at the IHRSA International Convention & Trade Show, IHRSA honors individuals for their service to their communities, their customers and the betterment of the health and fitness industry. IHRSA is now collecting nominations for:

■**IHRSA's Advocate of the Year Award** (Last year, the first ever *IHRSA Advocate of the Year Award* was presented to **RODNEY STEVEN, II**. IHRSA now invites you to nominate who you think deserves recognition for building a strong political

voice for the industry.);

- Woman Leader Award in Honor of Julie Main;**
- Global Leader Award in Honor of John Holsinger;**
- Outstanding Community Service Award;**
- Associate Member of the Year Award;**
- European Club Leadership Award.**

Nomination forms are available at ihrsa.org/awards. All winners will be recognized at **IHRSA 2023.**

■Speaking of **IHRSA 2023**, if you have not yet registered to attend, **it is not too late!**

And, if you *owe yourself a little fun in the sun*, then this event is for you because it takes place in *beautiful San Diego, March 20 - 22!!!* Very importantly, folks, remember there are **two event components**: the **Conference** and the **Trade Show**. If it weren't for each helping the other, this annual gathering could not take place, so be sure you split your time *wisely and equally*. And, while you're at the Trade Show, be sure to stop by our **Booth #1548!!!** When you do, we will tell you the fun story about that number selection! Register for **IHRSA 2023** today at www.ihrsa.org/convention.

(See *Norm's Notes Page 8*)

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...Norm's Notes

continued from page 7

■ On January 5, 2023, *The U.S. Consumer Product Safety Commission (CPSC)* levied one of its largest fines ever --**\$19 million**-- against *Peloton Interactive Inc.* The settlement resolves CPSC's charges that Peloton knowingly failed to immediately report to CPSC, as required by law, that its Tread+ Treadmill contained a defect that could create a substantial product hazard and created an unreasonable risk of serious injury to consumers. The civil penalty also settles charges that Peloton knowingly distributed recalled treadmills in violation of the Consumer Product Safety Act (CPSA).

RICHARD TRIMKA, CPSC Commissioner, said in a statement. "This is larger than the maximum civil penalty allowed by law for a single violation because Peloton committed *two distinct violations* by failing to report incidents and by selling recalled units. Peloton's conduct called for one of the largest civil penalties in American history. Evidence indicates that, for years, Peloton knew from consumer reports that its treadmills could grab and pull kids and objects under the rear of the Tread+ Treadmill, allowing for serious or fatal injuries. As incidents mounted, the company kept CPSC in the dark by failing to report them, preventing our agency from protecting the public."

In addition to the \$19 million civil penalty, the settlement agreement requires Peloton to maintain an enhanced compliance program and system of internal controls and procedures designed to ensure compliance with the CPSA. Peloton has also agreed to file, for a period of five years, annual reports regarding its compliance program and system of internal controls. By a 4 - 0 vote, the CPSC provisionally accepted the settlement agreement, subject to public comment.

BUT... there is MORE! In addition to the investigation by the CPSC, Peloton is also under investigation by the *Department of Justice* and the *Department of Homeland Security* related to its statutory obligations under the Consumer Product Safety Act. And, the *Securities and Exchange Commission* is investigating the company's handling of communications with the public related to the Tread+ recall. In addition, 12 current and former Peloton executives are being sued for allegedly engaging in insider trading. The lawsuit alleges the executives sold \$500 million worth of stock prior to revealing the safety issues to shareholders and the public.

"We are cooperating fully with each of these investigations, and at this time, we are unable to predict the eventual scope, duration or final outcome of the investigations," Peloton said in its 10K Tax Form in September 2022.

■ This news is from the folks at *Perpetual Capital Partners*, which has acquired *In-*

Shape Solutions, the company that operates 44 clubs under the In-Shape Health Clubs brand. According to an announcement from In-Shape, Perpetual Capital also owns *California Family Fitness*, which has 19 clubs in California. The purchase price was not disclosed. And, the clubs for both companies will retain their separate names. The In-Shape leadership team remains intact and now reports to **RANDY KARR**, who had been CEO of *California Family Fitness* and is now CEO of *In-Shape Family Fitness LLC*, which is the new entity within private investment group Perpetual Capital that owns the two club brands.

Randy Karr commented, "We're extremely excited to bring together these two great companies! With 63 premium, full-service clubs in California, we are the premier provider of fitness for the whole family in the state."

PAUL ROTHBARD, who sold his ownership of In-Shape, and is exiting the company, added: "For nearly 20 years, the various owners of In-Shape and California Family Fitness have seen the strategic potential of joining these two complementary brands, and I'm excited to finally make it happen."

Rothbard's father founded In-Shape more than 40 years ago, and Paul had stepped down as CEO in 2016 but stayed on the Board of Directors. However, in December 2020, the company filed for Chapter 11 restructuring due to the effects of the state-mandated club shutdowns caused by the COVID-19 pandemic. In February 2021, Rothbard returned to the company when he, *Aquiline Capital Partners LLC* and other investors purchased the company out of bankruptcy.

Best wishes, and the very best of good luck to RANDY KARR and his Team. And, to PAUL ROTHBARD and his Family... ALL THE BEST!

■ Out of West Palm Beach, Florida, *Retro Fitness*, one of the fastest growing health club franchises, announces the opening of the first clubs under Project LIFT, a new company initiative to open 500 health clubs in 50 Black and Brown communities across the country over the next five years. *BlackRock's Impact Opportunities Fund* and **JAMES COLLINS**, *Managing Partner of Eastwood Capital Partners*, together have committed to developing a minimum of 80 new Retro Fitness Health Clubs in four different regions in the country, the first of which are now open in Dallas, Texas.

"We are excited to partner with James Collins on our Project LIFT initiative and to announce the first four new health clubs in Dallas, Texas," said **ANDREW ALFANO**, *Chief Executive Officer at Retro Fitness*. "This investment is the largest development deal in the history of the company, more importantly we are proud that it is about making a significant difference and giving back to Black and Brown communities."

"It has been extremely gratifying

working with the Retro Fitness team and seeing the first health club locations under its Project LIFT initiative come to life," said James Collins. "I'm excited to see the positive impact we make with these first locations in the greater Dallas area, and I'm even more excited to continue my partnership with the Retro Fitness team as we open more health clubs for local communities to benefit from, in more ways than one."

■ This news is from **FLYNN KRANKOWSKI** on behalf of **JASON MARKOWICZ**, CEO and Founder of *Fit For You Franchising*. Flynn shared good news from Markowicz that the *Fitness Premier 24/7* club brand experienced significant franchisee engagement in 2022, and they are excited to keep the momentum going in 2023. Markowicz shared that the adoption of a new entrepreneur operating system (EOS) has been "a real differentiator" for the brand. The platform teaches franchisees how to run their business through a systematic planning approach, from organizing meetings with their team to setting annual goals all while growing their company culture.

Markowicz also shared that one way they continued to encourage a positive company culture was with their fourth annual *Fitness Premier Summit* in early December, allowing brand executives, owners and operators to come together for a collaborative two-day event. The event was held December 1 - 2, 2022 in New Buffalo, Michigan, and the conference included dozens of key players from the *Fitness Premier* system and *Fit For You Franchising*, allowing them to meet and network in person, reflect on milestone accomplishments and brainstorm for the year ahead.

Markowicz explained that he strongly believes in franchisees having the ability to collaborate, connect and ensure overall alignment with management

teams throughout the network to support continued growth year after year. Thanks to Jason Markowicz and Flynn Krankowski for sharing this news with *Club Insider*.

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

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

(Norm Cates, Jr. is a 49-year veteran of the health, racquet and sportsclub industry. He is the Founder and Tribal Leader Since 1993 of *Club Insider*, now in its 30th year of monthly publication. In 1981, he was IHRSA's First President, and a Co-Founder of the Association with Rick Caro and five others. In 2001, he was honored by IHRSA with its DALE DIBBLE Distinguished Service Award, one of its highest honors. And, in 2017, he was honored with *Club Insider's Lifetime Achievement Award*. You can reach Norm by phone at 770-635-7578 or email at Norm@clubinsideronline.com.)

Thanks and Appreciation

At *Club Insider*, we are excited to be in our 30th Year of this home-based health and fitness club trade publication! The thought that this publication was founded to serve an industry I truly love, and so that I could become a Mister Mom for my son, Justin, is still intriguing and amazing to us. So, I wish to extend my most sincere **Thanks and Appreciation** to everyone who has made this amazing 30-year run possible.

Very sincere *Thanks and Appreciation* go to **Rick Caro**, the late **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**, formerly of *Atlanta's Hudspeth Report* for the tremendous assistance they provided. *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 monthly editions! And, of course, *Thanks and Appreciation* to the **United States Postal Service** for sending those editions to our readers! *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. *Thanks and Appreciation* to all of our **Club Insider Contributing Authors**, past and present. *Thanks and Appreciation* to **IHRSA** for all it does for all of us. And, sincere *Thanks and Appreciation* to my son, **Justin**, who has become our Publisher and is a truly great partner. You name it and Justin does it each and every month!

Last, but surely not least, this writer who refused to fear failure when many told him he didn't have a chance of surviving the publishing business for even a year did survive. And, he would like to give his 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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...Terry Blachek

continued from page 3

and we can track the Ross name all the way back to **John Alden** and **Priscilla Mullins**, who came over on the Mayflower. You have heard of Betsy Ross right?

C.I. - Incredible. Where did you go to school and what did you study? Did you play any sports?

TB - I went to school at a private school, a small Christian High school called *Blue Mountain Academy* in Hamburg, Pennsylvania with about 500 kids. I did my undergraduate work at a Christian school in Berrien Springs, Michigan called *Andrews University*. And, I did my graduate work at *Central Michigan*. My undergraduate degree was in Physical Education and Business. My graduate work was in Exercise Science. I didn't do a thesis for my Master's, so I actually never got that degree. That's why I say, 'I did my graduate work at Central Michigan.' Along the way, I played Jr. Varsity and Varsity basketball in high school.

Entering the Industry

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

TB - I was a schoolteacher for the first four years of my career. I taught Physical Education, coached basketball and ran the intramural program at the school. But, the reason I transitioned into the industry is I was making \$18,000 a year and I heard that, in New York City, if you ran one of the big company's wellness programs as a *Program Director*, you could make \$40,000. So, I thought, 'I'm going to go to New York City and will double my income.'

I interviewed with *Prudential* and *AT&T*, and right between the *World Trade Center* towers was a *Marriott* hotel where the top two floors had an *Executive Fitness*

Center of which *Simon & Schuster* named it the best corporate fitness center in the country; I interviewed there as well. They wanted me there, but they said I had to do a 90-day internship. So, I was living in Jersey with my in-laws, because I moved from Michigan, and was driving into the city each day. About 60 days into it, I ran out of money. So, I went to the ATM machine and took out a cash advance for \$300. I walked upstairs and knocked on the President's door. Meeting with him, I said, 'I love what I'm doing, but I can't keep doing it because I'm not making any money.' So, they put me on as the *Manager on Duty* on the weekends.

I was a fitness guy, so I was already writing exercise programs, doing stress tests, personal training clients and all that other kind of stuff we did back in the '80s. But, what happened on the weekends is people would come in, they would want to join, and we didn't have any salespeople there. So, I showed them around and started signing them up. I got pretty good at this, so I transitioned out of fitness into the sales side of the business and that led to the management side.

C.I. - Please take us through those early leadership and management positions.

TB - Over the next decade or so, I ended up running a club, and then, I became a *Training Director* and eventually *Chief Operating Officer* for a company called *The Fitness Company*. It was a management company, and they owned stores as well. They had about 45 stores up and down the East Coast. Later, private equity got involved. They ended up selling off pieces of it, so that company isn't around today.

I left *The Fitness Company* in 1997 - 98 and was recruited to go work for *Crunch Fitness* and **Doug Levine**, *Founder*. This is an interesting story. One of the early guys that was a *Fitness Director* for me was **Roger Harvey**. *Crunch* recruited him, and he left to go to work there. At the time, I told



Welcome to Orangetheory Fitness - Potranco

him, 'You're making a mistake, man. You're making a mistake; don't do that.' About two or three years later, he called me up and said, 'Hey, we need some more help over here. Would you be interested in talking to us?' So, he ended up recruiting me, and I became the *Executive VP for Crunch*.

Once again, this is back in the late '90s. At the time, they had six stores in New York and one store in L.A. We bought *Sport Life* out of Atlanta, and we opened up the Chicago store. It was not the *Crunch* you know today as the franchised low-price model. It was the \$89 - 99 price model with tons of group fitness. That's really what made its claim to fame, as well as some of the unique build-out features. I did that for three years and left as they sold to *Bally* in 2001.

From there, I went down to Tampa, Florida and became the *VP of Sales* for **Geoff Dyer** and *Lifestyle Family Fitness*. I got there two weeks before 9/11, and I was there through 2007, eventually becoming *Chief Marketing and Sales Officer*. He had 14 clubs when I joined, and 40+ when I left. And, of course, they eventually sold to *L.A. Fitness*.

At this point, I ended up starting my own consulting company. Over the next three years, I worked with different companies in the United States, Mexico,

Canada and Brazil.

Orangetheory Fitness

C.I. - When and how did you become involved with *Orangetheory Fitness* (corporate)? What were your contributions to the overall model as many know it today?

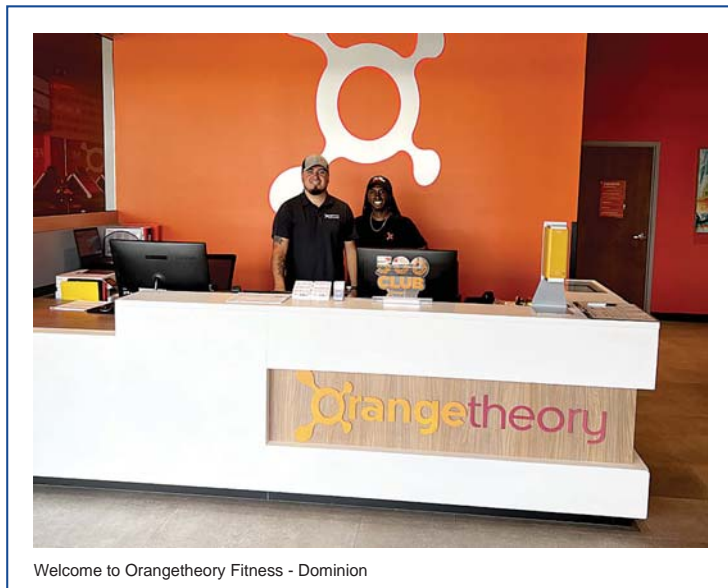
TB - I was in Miami and heard about this woman named **Ellen Latham**. She had a small studio called *Ellen's*, and she was doing \$1.5 million in revenue. I visited her and said, 'You and I ought to talk about starting a brand,' and she said, 'I'm talking with a couple of guys from *Massage Envy*.' Well, I knew one of them. **Dave Long** and I worked together at *Lifestyle*, so I met with him.

They hired me as a consultant to write all the sales programs and sales systems for *Orangetheory*. And, this is before *Orangetheory* opened their first location. I had built infrastructure at *Crunch* then *Lifestyle* and had a ton of contacts, so they wanted me to help them sell franchises, as well.

Two months after they hired me as a consultant, they asked me if I would become a partner. I invested and became a partner and really one of the original guys to get *Orangetheory Fitness* off the ground back in 2010. I also purchased the *Area Rights* for the West Coast of Florida, and I opened up three locations very quickly in Tampa. I believed in the concept, so I presented it to 25 CEOs on my *REX Roundtable*. They all said, 'Don't do it; it won't work; and whatever you do, don't put your own money into it,' because I didn't have deep pockets.

In order to get involved in *Orangetheory Fitness*, I liquidated my 401K, I liquidated all of my investments and used money I had in the bank. It was \$473,000, and I used that to invest and be among those who got *Orangetheory* off

(See **Terry Blachek** Page 12)



Welcome to Orangetheory Fitness - Dominion





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...Terry Blachek

continued from page 10

the ground. The reason that's important is because our first two years were very difficult. We didn't have a lot of studios open, so we weren't generating royalties as a franchise business. We started doing cash calls to the partners. The first one was \$25,000. The second one was \$25,000. And, I couldn't keep doing that; I didn't have that kind of cash sitting around. All my cash was invested in the business, in the stores I was trying to open, so I simply didn't have a lot of surplus capital. This was the second time I ran out of money.

Because of that, I ended up selling my interest in the parent company to **Dave Hardy**. I met him on the REX Roundtable, and he hired me to help him with his business in Edmonton and Calgary. I worked with him for two years, so he knew we were struggling. He said, 'Listen, I think I want to buy *Orangetheory Fitness Canada*,' and he added, 'At the same time, I'll buy your interest out, and that will help you with your financial situation.' So, I did it.

During my time at the corporate level of Orangetheory, the footprint is really a lot of what I did in the very beginning. I created the first studio design package. When we did the first studio, we didn't have a design intent package that said, 'these light fixtures, this wall is this color, this shelf looks like this, these lockers look like that, this exercise equipment goes here...' So, I created the very first design intent package.

I also did the very first pre-sale, and I created something called *The 500 Club*, which was selling 500 members before you ever open, and that lives on today. You can only have so many people in an Orangetheory Fitness, so I also created a format called the *Tornado*. Instead of having half the group in cardio and half the group in strength training, we created three groups. In essence, we rotated them around, and that's why we call it the

tornado. I was also very involved with a number of fitness games to increase usage: *Hell Week*, *Marathon*, and of course, the *Orange Bicycles* that we put around town... 25 of them, spray painted florescent orange and used as a teaser campaign. People all over town kept asking, 'What's the deal with those orange bikes?' We then sent out a direct mail to introduce a new fitness concept coming to town.

We beta tested many ideas, and if it worked, we would broadcast it all over the entire network. If it didn't work, no one would hear about it, and it would just kind of fizzle out. My stores in Tampa were definitely the beta test for all things Orangetheory Fitness for the first 3 - 4 years. Primarily, sales, marketing, presales, lead generation and outreach, and the show.

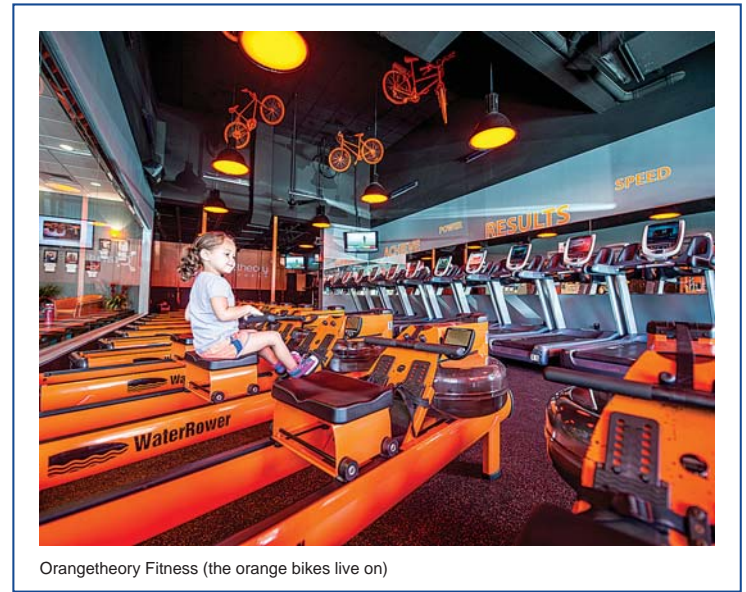
Austin Fitness Group

C.I. - Later, you began *Austin Fitness Group*. How did this come about?

TB - When I exited as a partner in the parent company about two and a half years into the deal, I still owned the rights for the West Coast of Florida, and with some of the money from the deal with Dave, I bought the rights for Austin, Texas. When I bought the rights for Austin, Texas, I had a partner in Florida, and even though I didn't have a non-compete with him, this created some friction and the relationship ended in a business divorce. He got half the stores, and I got half the stores.

Two years later, in 2015, I ended up selling the stores that I had in Tampa, 10Xing my original investment. Three years later, in 2018, I was able to 10X again with a private equity deal. After the split with my partner in Tampa, I moved to Austin, Texas and built 14 stores. And, I got involved with the private equity firm called *Clearlight Partners* out of Orange County, California.

Because of the fallout with my partner in Tampa, I knew it was really important for me to make sure I found the



Orangetheory Fitness (the orange bikes live on)

right partner. I did a lot of investigation, took bids and spent time with various groups/teams. But, a lot of the private equity guys that I had talked to had never really run a business. They were good at spreadsheets; they were good at the money part of it; and they were good at investments, financing... You know, all the pieces and parts, but they had never actually run a business. What sold me on Clearlight was because its *Principal, Michael Kaye*, had actually been an operator and run a business.

When things are good, it's great that everyone is high-fiving, chest-bumping, etc. (laughing). But, when things are bad, I didn't need somebody in my short hairs trying to tell me to look at the spreadsheet for what's needed to run the business. I can tell you that I made the right decision. When COVID hit and we were shut down, not once, but twice, in some cases for a year, Clearlight Partners was very supportive. They were very encouraging, and they offered counsel and advice. They were very communicative with me, and they were very understanding about the needs of the business and the needs of the people. People are the greatest asset to any business, and during tough times, it's good to have goal congruency with your private equity partners.

I explain all of that to show that

when anyone you see have success, just know there is also adversity in their achievements: cash shortfalls, relationships, macro-economics, supply chain, delays, divorce: personal or professional, and more. I was fortunate with the timing of Orangetheory Fitness. In the following years, the demand to buy a franchise was crazy wild, so you never know about timing. You can, however, have a team of advisors close to you, mentors that have been down the path before and those who help along the way.

Dave Hardy has been an incredible friend, and he's been an incredible mentor for me. He helped me get involved with an investment banker... helping me put a book/deck together and seeing the vision of how to really get private equity and exit strategy with taking some cash off the table. Thank God I did it in 2018!

Another mentor for me has been **Pete Moore** with *Integrity Square*. Pete was my investment banker on the deal, and when you go through a deal like that, it's a rollercoaster. You have highs and lows. As you go through the process, you sometimes want to say, 'Screw this; I'm not going to do it.' Pete walked and talked me through that, talking me up and talking me down as many times as needed to be successful in negotiating. In the end, it was a great deal for me. I ended up selling 65% of the company to Clearlight, and I retain 35% today.

That company is called the *Austin Fitness Group*, we own six Orangetheory territories: all of Arizona, Central Texas, which consists of two area licenses in Austin and San Antonio; all of Kansas; all of Oklahoma, as well as Philadelphia, Southeastern Pennsylvania and South Jersey. This is a grand total of 135 locations. Out of the 135 locations, we own 62 of those. So, we own the area rights, and we get the royalties from all 135 locations, (See **Terry Blachek** Page 14)



Terry Being Terry!

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...Terry Blachek

continued from page 12

including our own.

C.I. - Wow, what a ride! Across 135 locations, how many members do you serve?
TB - In the 62 stores we own, we serve about 32,000 members. With an average of 550 - 600 members per store at the 73 we don't own, it's at least another 35,000 members, so close to 70,000 total.

C.I. - What are your goals for 2023 - 2024?
TB - Right now, we're sitting at about 75% of our pre-COVID membership. But, our revenue is actually sitting at about 90% of our pre-COVID number. Some markets are better: Oklahoma, Pennsylvania and Austin, Texas. Others not as good: Arizona, Kansas and San Antonio, Texas. We've gone through two price increases. We raised prices in February of 2022, and we just raised the prices again in January of 2023. That was for new members as well as our existing membership base. A lot of people have been trying to figure out when to raise prices: January? Or, wait until the end of the first quarter? We made our decision to raise prices in January and made the announcement December 1, and I believe it was the right decision.

I believe we're going to end up this year probably around 90% of our pre-COVID membership, but we should be probably somewhere around 105% of our pre-COVID revenue. The membership is kind of lagging, so what's happening is we have fewer members paying higher prices. We don't see ourselves fully getting back to 100% until the end of Q1 in 2024.

We thought 2022 was going to be the year, right? We would get back to 100%, but then, it started out with the Omicron variant. It was a mess, and some people just got very hesitant to come back to the brick and mortars, especially in studios where you're in very close confines, and a with

high-intensity workout like Orangetheory Fitness, there is a lot of heavy breathing.

Our development schedule for 2023 is to open up five locations, mostly in Oklahoma, Pennsylvania and Austin, Texas. That's not huge, but the studios are coming back a little bit slower than the high-volume, low-price clubs. Big Box gyms are also experiencing a soft return to pre-COVID numbers. But, in terms of goals this year, our primary goal is to get our membership back.

C.I. - How about your biggest challenges for the same time period?

TB - Absolutely, here's a few:

1. I think our number one biggest challenge is human resources. We're finding it difficult to find the right people, attract the right people, and part of that is the new environment and understanding the new environment, post-COVID.

We know 50% - 60% of people are still not working full-time back at their office jobs in the city, so traffic patterns have changed. When we're recruiting and looking for people, one of the questions we get is, 'Can I work remotely?' Well, it's kind of hard to do that in the club business, right? You have to be at the club. With the executive positions, it's a little bit easier to do that, but it's still important to be there.

As you know, human resources is all about finding the people, training the people and getting good quality people at the right price. Compensation has gone up in the last year and a half and expectations have changed, so it is a challenge.

2. The second biggest challenge is macroeconomics and the whole inflation issue that is going on. I know we are recession-resistant, but we are not recession-proof. Our price point is \$119 to \$189 a month, depending on what membership is chosen. I thought that we were attracting a more affluent clientele,



Terry Blachek and Team

and it wouldn't affect that group. The issue with the higher price points is because they have more money, they also have more options. Because of those options and because of their flexibility in their work schedules, many of them have decided to do other things than come back to the studio. So, we're not seeing that big rush back to the studio.

3. I think our third biggest challenge is really just consumer behavior. What do people really want to be doing? I will tell you that this is a Terry Blachek thing... these are my thoughts on that. When the industry got started, back in the **Jack LaLanne** days and before, the real unique selling position for the fitness business was really focused on strength training. And, today, when you walk in the big box gyms, you see the strength and conditioning areas packed with both men and women. You look at the cardio area, 75 - 100+ pieces, and there are not a lot of people working out on them.

So, what we see, and one of the things I think COVID helped people who use clubs see is they can do cardio from home. And, that's what they are doing. They can go for walks, they can go for bike rides, they can stay active closer to home. But, the really unique thing that we offer in the club business is the strength and

conditioning training component.

Anyway, that's just my thought on consumer behavior, and really, understanding what this new consumer in a post-COVID environment is like and how they are going to respond and react to programs. But, I really believe they want to see more strength training programs out there.

C.I. - You already mentioned having sold out 65% of your interest, so if applicable or willing to share, what is your final exit strategy?

TB - We want to get to 85 to 100 owned units. The average unit volume is \$1.2 million in revenue, so we want to see each unit have a margin of \$350,000. We think we can get there in the next three years, but that's going to be a combination of acquisition and new development.

Today, we've got 62, and we're going to do five this year. Again, we might acquire a couple anyway, but let's just say five, so we end up at 67. So, how do we get another 20+ stores over the course of the next 24 to 36 months? I think we're going to acquire a half of those and open a half of those.

Key Lessons and Advice

C.I. - As we've thoroughly discussed, you have done quite a bit in your 30+ years in this great industry, and we thank you for your service. If you could boil it all down, what would you consider your key lessons and advice?

TB - Certainly, here's a few:

1. **Stay Relevant.** But, what is the number one thing in staying relevant? **Stay Connected...** Reading periodicals like *Club Insider*, reading and listening to the news, staying connected with current trends, going to conferences (*IHRSA* and *(See Terry Blachek Page 17)*



Terry Blachek and Team





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Managing Moments of Truth

By: **Herb Lipsman**

A "Moment of Truth," as described in this article, is any interaction between two or more people in our clubs. This could be between co-workers. It could be between a staff person and a member or guest. It could be between a manager and a direct report. It could be between a staff person and a vendor. It could be a simple telephone or email inquiry.

It would be impossible to write policy and standard operating procedures for every single potential circumstance among the thousands we face in our clubs each day, although some club chains have tried in vain to do so. A much better approach, with a much higher probability of successful outcomes, is to take a more wholistic approach to "Managing Moments of Truth."

Every *Moment of Truth* is likely to produce one of three possible outcomes:

1. A Neutral Moment - The co-worker, member, guest, direct report or vendor comes away feeling as though the interaction went the way it should go... no better, no worse. An example of a *Neutral Moment* would be when a member checks-in to the club upon arrival and interacts

with the front desk staff. The check-in goes smoothly, which is the function that must be executed, but the staff person doesn't recognize the person by name, nor do they enthusiastically welcome him. It's just sort of a nothing experience that is quickly forgotten by the member checking in and the staff person who checked him in.

2. A Moment of Misery - In this same scenario, the front desk person is busy looking at their phone and does not immediately see the member standing in front of them, waiting to check-in so he can quickly get to his class or workout. Once the staff person realizes the member is standing there with a perturbed look on his face, the attendant proceeds to check him in with an obvious look of contempt on their face and with their body language. In this case, both parties leave the interaction in a worse mood than prior to this unfortunate *Moment of Truth*.

3. A Moment of Magic - In this scenario, the front desk person is facing the front entrance and sees the member coming through the door several seconds in advance of the member reaching the front desk. The staff person welcomes the member enthusiastically, greets him by

name and tells him how glad they are to see him. The member returns the greeting in a friendly manner. Both parties move on from this brief interaction with more pep in their step and feeling better about themselves for how this exchange just went.

So, how do we more effectively manage these thousands of *Moments of Truth*? We must take a comprehensive approach that includes the following key elements:

1. Establish a culture that emphasizes treating others (all others) with empathy, kindness, respect and helpfulness, regardless of the circumstance.
2. Hire only those who possess a "servant heart" and genuinely enjoy serving others. In the event someone gets hired who behaves in a manner that is out of alignment with this critical qualification, quickly remove them.
3. Properly onboard and train all new employees to be well-equipped to respond confidently to the most common inquiries and requests that they are likely to face throughout every shift in their respective roles.
4. MBWA (Manage By Wandering Around) as managers/leaders observing and listening firsthand to how team members are handling *Moments of Truth*. This allows for immediate feedback and coaching.
5. Share the many positive comments, survey responses, letters, emails and in-person feedback received by happy members, guests, employees and vendors to reinforce the positive results that come from this approach.
6. Celebrate examples of exceptional customer or co-worker service publicly throughout the organization.

In summary, I recommend making sure your culture truly matches the behavior you want from your people. Be



Herb Lipsman

far more careful in screening, reference-checking and hiring to ensure that each member of the team exudes genuine empathy, kindness and helpfulness. If it's in their DNA, you will have a much higher likelihood they will handle each *Moment of Truth* in the desired manner. Be certain they have the information, tools and training to put them in the best possible position to handle the most common interactions they will face. Then, step back and watch the magic happen!

Remember: Every organization is perfectly aligned to get the results it gets!

(Herb Lipsman is a veteran of the club industry, having managed some of the most prestigious athletic clubs and golf/country clubs in the Houston, Texas market over the past 30 years, most notably The Houstonian Hotel, Club and Spa. Lipsman has served on the Board of Directors for IHRSA. He was appointed by Mayor Bill White to serve as Chairman of the Mayor's Wellness Council for the City of Houston. Lipsman has also been invited to speak at numerous industry conferences and conventions around the world, including the U.S., UK, Australia, New Zealand, Germany, Italy, Russia and Mexico. Most recently, Lipsman authored and published his book Caring (The Sequel): Valuable Insights into Effective Club and Hospitality Management.)

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Contact Justin Cates
 (863) 999 - 2677 or
Justin@clubinsideronline.com

...Terry Blachek

continued from page 14

Club Industry), being involved in Roundtables, etc. For me, I read your stuff as well as others, I go to IHRSA, I went to Club Industry's CEO Summit, I have been involved in REX Roundtables for 20 years. You have to stay connected, because that's what keeps you relevant.

2. You can't be afraid to invest and believe in yourself, and it's hard to start a new business. Are you going to put your money into a company where someone else makes all the decisions or do you want to invest in yourself? I would highly recommend that people really believe in and invest in themselves.

3. Have a Personal Advisory Board. I have one. You need three to five people that you can use as mentors or an Advisory Board in your business or even in your personal life, whether it's a good accountant, a good attorney, a good business guy. In general, people who have been down the road that you have been down who you can use as a mentor and for counsel and advice.

4. Fill your brain with good stuff. Reading positive pure good books. The book I'm reading right now is called *The Power of One More* by Ed Mylett. It's fantastic.

5. Keep perspective on things because they never turn out like you think they will. I would just encourage people to know that life doesn't turn out like you think it's going to. Your business is probably not going to turn out like you think it's going to. And, the good side of that is, in many cases, it's better than what you thought. It's just packaged differently. It's never exactly as you think it's going to be. I wish life was easy; I wish business was easy. It's not. It always comes through, but it's packaged differently than you thought.

Giving Back: Tuesdays With Terry and REX Roundtables

C.I. - Every great club owner, manager, operator *Club Insider* interviews is always willing to give back and teach others. I guess that's one of the reasons we get the interview (laughing). For you, one of the ways you do that is with your *Tuesdays With Terry* podcast. Please tell us about this and how it came about.

TB - *Tuesdays with Terry* started in about 2001 when I went to Lifestyle Family Fitness. When I say, 'started,' what I mean is the name started. What happened is I read the book *Tuesdays with Morrie* by Mitch Albom. As we added locations and I couldn't get around to all the locations to train everybody, I started doing conference calls. That's how we did it back in early 2000s (laughing). We didn't have zooms and those kinds of things. In addition to the conference calls, I was doing training, and

I would record it to play back to staff. Then, I would send out a practical one-pager for them to do like homework afterwards.

I just started doing it on Tuesdays, and over time, we called it *Tuesdays with Terry*. And, I have done that at every company. Even when I started with Orangetheory, I did webinars every Tuesday for all of the franchisees. I would have 400 - 500 franchisees on, and it was all about leadership.

Over the past year and a half, it has become a real podcast, now at 65 episodes. And, I talk about several key things:

1. Self Empowerment;
2. Leadership and how to build great teams;
3. Sales and Marketing;
4. Business and Entrepreneurship.

Importantly, I have learned that short is good. People don't necessarily want to listen to a 45-minute podcast with two guys talking back and forth. What I have heard from my listeners is they love the fact each episode is 10 - 15 minutes long. It's just me talking about a topic: how to build a great team, how to look at the end of the year, how to keep things in perspective, how to... you name it.

Going back to what you said about giving back, I don't get paid for Tuesdays with Terry. Over the years, I have had some success, I have done some good things, but I believe my most successful time in this industry is now. So, breaking through the top, this is a way for me to turn around, reach down and grab hold of someone's hand to lift them up by giving them a pocketful of ideas and tips they can use in business as well as their personal life, especially when they go through adversity, which we have all gone through the past two and a half years.

Things are still tough for many people, but sometimes, all they need is encouragement... ten minutes of positivity coming into their brain and their life... a new way to do something... So, it's just my way of doing that for people who need it.

C.I. - That's awesome. I love it. On behalf of the industry, thank you. Thank you very much. Folks, you can check out *Tuesdays With Terry* at www.tuesdayswithterry.com, via the **QR Code Below**, or on *Anchor*, *Spotify* or *Apple*. Terry, another way in



which many great industry participants give back is through their activity in *REX Roundtables*. Now, after 20+ years, please tell us about that experience for you.

TB - I started with REX Roundtables when I was at Lifestyle Family Fitness in the early 2000s. It was a recommendation from Geoff Dyer, who was in the group called *The Leading Edge*. I started going to them, and I've been a member ever since. What's so important about REX are the relationships developed with other people like myself, business owners and CEOs who are going through the same things that I'm going through in different parts of the country. Like a Board of Directors, I can get counsel and advice. For example, when I was going through my partner issues in Tampa, I used the Roundtable for counsel.

Several times a year, you spend two and a half days with guys on the Roundtable. You might get one or two really big ideas and many smaller ones that really help improve the business. You also have a sounding board any time something comes up. You can reach out to a group of 15 - 25 ladies and gentlemen and bounce your ideas to get their best practices or their counselor advice. So, it's another way to stay connected. It's another way to stay relevant. And, that has been really been big for me.

The Future

C.I. - What does the future hold? For you. For the industry.

TB - For me, I'm trying to get to 85 - 100 owned locations. In the private equity world, the big fish eat the small fish, so we'll probably sell and change ownership at that time. Then, I'll probably take a smaller interest in Orangetheory Fitness. I'm also in the process of writing a book. So, what I'm really trying to do is use my podcast, my book and a couple of other things I'm working on to be more marketable because I really want to get on the speaking circuit. I want to go around and help other groups, not just in this industry. I'm always looking at other businesses. I have a couple other small businesses and investments that I've got going, and I'm working on that. So, that's what I see for myself.

For the industry, I see it really starting to do a better job at partnering up with anti-aging groups. The reason I say that is because when you listen to people and you see some of the surveys that were completed 5 - 10 years ago compared to today, the number one reason people wanted to join a health club was because they wanted to lose weight. That's not the case today.

Today, the reason is total wellness: mental health, physical health, wellness. I think that wellness is going to permeate and further spread the club business into groups like recovery, hormone replacement therapies and anti-aging. One of the reasons we all work at this is to find that 'fountain of youth.' It keeps us active, acute,

mobile, agile. We love it.

Hospital fitness and hospital wellness centers were a big thing back in the 1990s and 2000s. They kind of went away a little bit, but I believe it is coming back. Not in the ways of the past but in ways that will create better relationships with our health providers, insurance providers, etc.

Obviously, short term, it's all about the industry getting back to 100%. I do see it coming back, and we are the long-term play. I believe people need us, people want us, and people love us. They love the social part of the business, and they love the results that this business provides. I don't see us going away, and I don't see us being home-based. We've seen that from many brands over the years, and they always end up as a supplement to facilities, not a replacement.

C.I. - Thank you for this in-depth and candid interview. Is there anything you would like to add to close?

TB - With everything in life, there's a season. There are good times, and there are bad times. The good times are probably not quite as good as we want, and the bad times are probably not really quite as bad as we think they are. But, the reality is, if you can understand it's a process, you can get through the season. Good things never last; bad things never last. So, keep the faith, and stay steady in what you're doing. Stay focused, and know that it's a season, it's a process. It'll come back; it'll get there.

Your Friend,

Terry Blachek



Thank you to **Terry Blachek** for this fantastic interview. Wow, a lot was covered! And, I hope it helps make you into a more well-rounded health and fitness club industry participant. Thank you also to **Brianne Dezzutti** for her assistance with photos and graphics. A fun note here is I interviewed *Brianne's Dad* back in 2013... *Another Terry!* **Terry Dezzuti**, who at the time was COO of *Merritt Athletic Clubs*. Thank you all for reading!

(Justin Cates is the Publisher of Club Insider. Having been born into a club business family in 1985, Justin grew up in the health and fitness club industry. He has lived and breathed this industry for 38 years, since his own day one, and he loves it dearly. Graduating from the Terry College of Business at The University of Georgia in 2007, Justin has run day-to-day operations of Club Insider for 14 years. Justin became Publisher of Club Insider in April of 2020. Justin's Dad, Norm Cates, continues to serve as Founder and Tribal Leader Since 1993. You can reach Justin by phone at 863-999-2677 or email at Justin@clubinsideronline.com.)

Riding the Recovery Wave for Revenues

By: **Casey Conrad**

There are only three ways to grow revenue in *any* business: get more customers; get customers to buy more frequently; and get customers to make bigger purchases. Adding recovery services to your facility is something that can accomplish all three revenue generation goals! More importantly, recovery services are a perfect adjunct to any fitness facility, because they are a natural extension of the existing client base. Furthermore, many "recovery" devices are also used in wellness facilities, which provides operators the potential to market to a wider population. The question I am most often asked is, "What device/s should I add?" My response is, "It depends." Let's explore the variables that must be considered when making intelligent recovery equipment decisions.

Member Base

Although there are plenty of niche-market facilities (like a CrossFit or Barre), the vast majority of fitness operators run multi-purpose facilities that attract a fairly wide audience. That said, every club has distinct demographics. Perhaps, the club has a huge free-weight area and attracts a younger, male population. Or, maybe they have a super popular group exercise program that is geared toward middle-age women. Who knows, your facility may be in a community with a large percentage

of retirees who have age-related recovery issues. Every demographic has recovery needs, but the types of recovery services will differ among the various populations. For example, compression therapy does well with male athletes, but the average middle-aged woman doesn't get excited about slipping on boots, pants or sleeves that multiple others have used, even when you follow strict cleaning guidelines.

When you have clearly outlined the avatar of your "ideal recovery member," making equipment and service-offering decisions becomes much easier and more objective.

Available Space

Your recovery "market" may be perfect for an infrared sauna, but those units can take up more space than you have available. Furthermore, the available space where an operator could add a recovery area may have limitations. Common space issues include less than ideal access, not enough privacy or inadequate electrical outlets or capacity that might be cost-prohibitive to retrofit. An ideal space has enough visibility that members easily "see" the availability but also provides the necessary privacy or quiet that allows for a positive user experience.

A less common but still problematic issue is having too much space. A case in point was a client who discontinued childcare post-COVID because their returning demographic changed dra-

matically. That space, however, was almost 1,000 square feet. Their budget was limited so filling the room with recovery devices wasn't an option. The result was the challenge of figuring out what to do with the space that wasn't needed for the launch of their recovery room. It may sound like a good problem to have, but that's not always the case.

The bottom line is that some devices take up more space while others are quite efficient. Identifying what spaces could be utilized and then matching them with the most ideal recovery product may take some creativity.

Staffing

Of all the criteria to consider, in my opinion, this is one of the most important. You can spend thousands of dollars to build a recovery center, but without the right staff, it could fail. Similarly, you can have great employees, but the wrong choice of recovery product could create unhappiness. One example was a club operator who invested in a cryotherapy machine because he had gotten such incredible results from the technology. Although there were plenty of long-term employees on staff, none of them were bought into the technology. A key employee felt it was not only a potential liability for the club but resented having to promote it and became stressed over monitoring users. After many thousands of dollars spent, the operator eventually removed the machine and took it to his house!

To help clients make better choices, I teach them a mantra: "High touch, low labor." Meaning, when considering any recovery device, always try to find something that provides a great experience at the lowest possible staffing need. Following this rule of thumb will result in reduced training time and happier employees.

Finally, when possible, find a recovery modality that resonates with at least one key staff person. Having a "Champion" will help to get both staff and members excited. Getting off to a strong start and building momentum is critical.

Pricing and Model

It may seem unreal to have a sales-focused individual like me say the price is important, but let's be clear on the context. When referring to pricing, I'm talking about matching the product to your market. If you are located in a more economically sensitive area, it won't make sense to bring in a super expensive device that demands a high session price. Conversely, if you bring in a relatively inexpensive product that only costs a few hundred dollars,



Casey Conrad

many members who initially try and enjoy the product will simply go buy their own and stop paying you for usage! The key is finding an ideal product for your existing client base that can be priced to result in strong sales and a relatively quick ROI.

In the same conversation as the price is "Model," which pertains to how you will package sales. Will you sell individual sessions, packages, or perhaps, monthly subscriptions? Will you bundle various offerings or only offer a la carte? Will you allow non-members to purchase, and if so, how will that work within the facility? Are there ways in which you can integrate the recovery offerings into existing programs or create entirely new ones? Of all the considerations, choosing the right model can be the most challenging.

Competition

The second to last consideration is evaluating your competition. Do any of your competitors offer this recovery service? If so, is there a way to improve or differentiate yourself in the marketplace? If no direct competitor is offering what you are considering, are any other vertical markets in your area offering the same or similar products/services? Competition isn't always a bad thing, but it certainly needs to be taken into consideration.

Investment

Finally, what is the total investment you will make? In addition to the recovery device, you must consider all other associated expenses. It is only by answering all the previous questions does the investment become a final determining factor. At that point, you can run various revenue projections, and ultimately, make intelligent decisions on how to proceed with adding recovery offerings to your facility.

(See **Casey Conrad** Page 20)



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How to Calculate Business Risk

By: **Jim Thomas**

Business risk is any risk that a business faces that can negatively impact its profitability. It can have both internal or external risks. A company needs to know what its risks are to get a risk management plan in place.

Business risk can include many different factors, such as:

- Your competition;
- Cost of goods;
- The economic climate;
- Government regulations;
- Consumer demand.

How to Determine Business Risk

There are some common calculations used to determine business risk:

Solvency Ratio - This measures a business' ability to pay its current liabilities with assets that can be converted into cash. This usually includes actual cash on hand and accounts receivable, anything else would take too long to liquidate. To be considered "solvent," a business needs a ratio of 1.0, or \$1 of cash to \$1 of liabilities.

Profitability Ratio - A profit margin measures your profits from your annual sales after taxes. You want to aim for a higher ratio to handle downturns in your particular market. It's related to the contribution margin ratio.

The Contribution Margin Ratio - This ratio is calculated by taking your sales and subtracting variable costs:

$$\text{Contribution Margin} / \text{Sales} = 1 - \text{variable costs/sales}$$

--or--

$$(\text{Sales} - \text{Variable Expenses}) / \text{Sales}$$

Sales Inventory Ratio - This is a ratio that compares your business against other similar businesses in your industry. A high sales inventory ratio may indicate the possibility that you're losing sales and that consumers are going elsewhere. If the ratio is low, your inventory may be obsolete or undesirable. Anything other than neutral can direct changes your business needs to make.

Operating Leverage Effect (OLE) - This ratio shows you how much your income will change depending on changing sales volumes. If you have more fixed assets, the impact will be higher. The formula is contribution margin ratio divided by your operating margin:

$$\text{Contribution Margin Ratio} / \text{Operating Margin}$$

If the OLE is 1, that means your business has no fixed costs. So, a 25% change in volume means a 25% change in income. As you add in fixed costs, it gives you more operating leverage.

Financial Leverage Ratio - This ratio measures the amount of debt held by your business that is used to operate your business. Debt increases your business risk because you must make payments on the principal and interest no matter what. This ratio measures the impact of that debt. The formula is:

$$\text{Financial Leverage} = \text{Operating Income} / \text{Net Income}$$

For example, a ratio of 1.00 means you have no debt.

Combined Leverage Ratio - This ratio combines OLE and your financial leverage ratio to calculate the impact of both on your company. It looks something like this:

$$\text{Combined Leverage Ratio} = \text{Operating Leverage Ratio} \times \text{Financial Leverage Ratio}$$

The higher the combined ratio, the more risk your business faces.

You can use all of the data you get from these calculations to determine the risk your business faces and what you can plan to do moving forward.

Types of Business Risk

There are a few main types of business risk:

Strategic Risks - Strategic risk occurs when a business doesn't operate according to its business model. This leads to a less effective overall strategy, and the business may not reach goals. Or, your business is producing something that is no longer desired by the overall market, and you must shift strategies.

Compliance Risks - This has to do with highly regulated industries. If you aren't aware of or adhere closely to regional, State and Federal regulations in your industry, you may become non-compliant with local laws, i.e. staring down the barrel of compliance risk. You need to know every law and regulation in your business environment and adhere to them completely. This includes new regulatory changes. You must stay on top of them to stay compliant.

Operational Risks - This is when your business fails or falls short in its day-to-day business operations. It can mean you aren't able to fully perform the functions of your business and can lead to both compliance and strategic risks. If you run a screen-printing business, and one of your presses is out for repair for two weeks, how will that impact your bottom line?

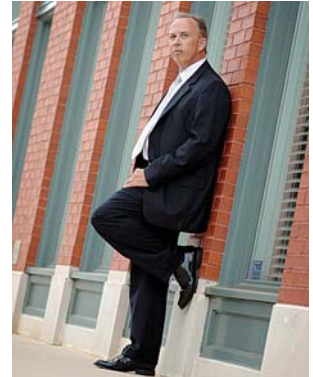
Reputational Risks - If your business' reputation was harmed in any way, such as being linked to food poisoning, it can severely impact your bottom line. If you're linked to food poisoning, you'll likely lose customers and profit from the reputational harm.

Causes of Business Risks

What causes business risks? There are three main influencing factors: Natural, Human or Economic.

Natural - Natural causes refer to flooding, earthquakes, tornadoes and other natural disasters or events that impact a business's ability to operate. A comprehensive commercial property insurance plan is advisable to keep your business from facing steep financial losses.

Human - This has anything to do with your workforce. This could refer to when nurses at a hospital go on strike, or your staff is all out with the same virus. Or, perhaps, you're dealing with heavy turnover and are



Jim Thomas

struggling to hire fast enough to keep up with the demand of the business.

Economic - Have the prices of material or labor risen dramatically? Have interest rates risen? Or perhaps your competition is undercutting your pricing. Whatever the reason, the financial factors are outside your control.

Manage Business Risks with Enterprise Risk Management

As a business owner, to properly manage your business risks, you need to be aware of what they are. What are some industry-specific risks you might face? How

(See **Jim Thomas** Page 20)

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...Casey Conrad

continued from page 18

Recovery is a multibillion-dollar industry that continues to grow. More and more large chains have added recovery rooms and centers as well as independent operators. Most telling

is the explosive growth in stand-alone recovery businesses and franchises. As I tell my clients, "You can bring recovery and wellness into your club, or you can watch your members give their money to someone else!"

Next month, we will explore various recovery modalities every fitness

operator should be considering.

(Casey Conrad is a long-time industry sales and marketing consultant. She has authored numerous industry books and has spoken worldwide. For the past four years, Casey has added wellness facilities and holistic practitioners to

her list of clients with a primary focus on using recovery and medical devices as a marketing magnet and revenue generator. She is now bringing these strategies back into the fitness industry. Casey can be reached at 401-932-9407 or CaseyConrad11@gmail.com.)

...Jim Thomas

continued from page 19

can the business risk ratios help you look at your risk? You need to do a good deal of market research.

Once you have a good idea of the business risk you're dealing with, we advise looking into the insurance options available to you to determine what plans can help you mitigate your risk. Here are some examples:

Business Interruption Insurance: This covers losses incurred if your business is damaged by a covered loss and can't operate. The policy covers payroll, rent,

utilities, and even, lost profits.

Directors and Officers Liability: This protects the Officers and Board Members from suits brought against the company and its officers.

Employment Practices Liability: This covers against lawsuits of sexual harassment and wrongful termination.

Errors and Omissions Insurance: Also known as Professional Liability Insurance, this insurance protects against legal claims of malpractice or failure to perform to a professional standard.

Workers' Compensation: This helps cover an employee's lost wages and medical bills if they're hurt on the job.

Product Liability Insurance: This protects both sellers and manufacturers against defects and injury as a result of product use or components.



Business is inherently risky, but knowing what risks exist, how to calculate them and how to combat them is key to minimizing total risk.

(An Outsourced CEO and expert witness,

Jim Thomas is the Founder and President of Fitness Management USA Inc., a management consulting, turnaround and brokerage firm specializing in the gym and sports industry. With more than 25 years of experience owning, operating and managing clubs of all sizes, Thomas lectures and delivers seminars, webinars and workshops across the globe on the practical skills required to successfully to overcome obscurity, improve sales, build teamwork and market fitness programs and products. In addition, his company will buy gym equipment from gyms liquidating or closing, provide financing or advance funds on receivables. Visit his websites at www.fmconsulting.net or www.youtube.com/gymconsultant.)

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Let's Do the Math: How Social Is Your Club?


By: Jeffrey Pinkerton

On a scale of 1 to 100, how social is your facility? If you were to measure the social energy of your club, including your staff and members, how would it rate? If a number is too difficult to quantify (more on that later), just consider this: When you walk through your facility, do you see mostly headphones and heads down, or is your facility packed with "Hellos" and high-fives?

If you are looking to grow a socially buzzing, ever-welcoming, always engaging, people friendly business, there are decisions and investments you need to make to your people, your processes and your programming.

And, if you aren't looking to grow that kind of business --you're okay being more transactional and less relational--

there are probably decisions, and
 (See **Jeffrey Pinkerton** Page 22)



Jeffrey Pinkerton

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...Jeffrey Pinkerton

continued from page 21

unfortunately concessions, that you need to make to reduce your people (staffing and service) and drop your prices accordingly.

What if there were a metric to quantify the social energy of your club? A coefficient of connection. A numerical value that would represent the energy and the interactions. You could track this metric each month, month over month and year over year. This number could be an aggregate measure of how engaged your staff is with members and how engaged members are with each other. Members who worked out with headphones alone, would affect the score negatively, and members who worked out with at least one other person would receive positive marks. The model would be adjusted to scale when positive staff-to-member interactions occurred, especially those interactions that were more than just a passing "Hey, have a good day!" or even, "Hello, how was your workout?"

You are probably thinking, well sure, this social metric would be nice to have, but it would be massively expensive to implement. You'd need more staff to

work the floor and track the interactions. You'd need some serious technology and a genius algorithm. You'd need integrations with check-in software and geolocation tracking on your mobile app. You'd need to account for check-in frequency and visit patterns. You'd need to keep an eye on email open rates and website visits. And, you'd need to invest in some social-listening service to track and score social media interactions, social comments, tags and mentions. Oh, and Google Reviews, I almost forgot about Google Reviews.

There is a simpler way. And here it is.

Measure the percentage of members who participate in group fitness. Then, increase that number. The ratio of your total check-ins to your total group fitness participation will give you a great snapshot of the percentage of your members who are socially connected. It can be your coefficient of connection.

Group Fitness, by design, when executed well, is social, engaging and welcoming. It is the best of staff-to-member and member-to-member interactions. No headphones, no faces buried in phones, no slogging out mind-numbing miles on

the treadmill. Group Fitness is the shared experience that is proven to help build community, increase exercise adherence and improve member retention.

Here's the math. Say, in one day, you had 1,000 people check in to your facility. On the same day, you had 10 group fitness workouts, with a total attendance of 150 people. With some simple division (150 by 1,000), you would know that, on that day, 15% of your members participated in an activity proven to help build community, increase exercise adherence and even improve retention. That's a good start (and close to the industry's average), but this example leaves 85% of your members disconnected, meaning they could pull the plug on their memberships and never look back.

Is there software to help you measure connection? Probably, yes. Is there an algorithm out there that can measure the social connectedness of a member? Probably, yes. But, what would you learn? My prediction: After investing hundreds, thousands or even hundreds of thousands of dollars, you would learn that you should invest in activities that drive social connection between members and staff. You should invest more in group

fitness (equipment, programming, training, training scholarships, special events, challenges... all topics for another day).

Speaking of investing, here's one more bit of math --no software or algorithm required-- that you can add to your metrics: Your Group Fitness ROI, or Return on Investment. We wrote a white paper on the topic, because we know that group fitness is often considered an expense with no offsetting revenue. We disagree. While it might be hard to put a dollar value on social connection, the motivation of a great instructor, the drive of amazing music and the energy of the shared experience, your group fitness members, quick to connect, slow to leave, more loyal and less price sensitive are your most valuable, and by no coincidence, your most social.

To download MOSSA's white paper, "The Real \$\$ Value of Your Group Fitness Department," visit bit.ly/clubinsider149.

(Jeffrey Pinkerton is the Business Development Manager for MOSSA. Jeffrey can be reached by phone at 770-989-4737 or email at jeffreypinkerton@mossa.net.)

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- **Sara Kooperman, JD** - CEO, SCW Fitness Education - scwfit.com
- **Thomas Plummer** - National Fitness Business Alliance - (800) 726 - 3506

INSPIRING MILLIONS TO MOVE

POWER UP YOUR MEMBERSHIP

Group Power® maximizes your workout results with one hour of cutting-edge strength training! Get muscle strong and movement strong when you combine traditional strength training with functional exercises and the revolutionary science of Loaded Movement Training, using an adjustable barbell, body weight, and heart-pounding music. POWER UP!

REACH MORE PEOPLE. SELL MORE MEMBERSHIPS.

MOSSA creates the highest quality group fitness workouts so you can reach more people. Our proprietary M4 Programming (Movement, Music, Motivation, Metrics) ensures everyone feels successful and gets results, from the new exerciser to the serious athlete.

MOSSA'S M4 PROGRAMMING TO IMPROVE MOVEMENT HEALTH™

- ▶ **Movement:** Helping people get muscle and movement strong.
- ▶ **Music:** The world's best exercise music.
- ▶ **Motivation:** Motivate, not intimidate.
- ▶ **Metrics:** The industry's most comprehensive testing process.

DESIGNING AND DELIVERING A BETTER MEMBER EXPERIENCE

To maximize the impact of group fitness, your team needs to manage every detail of the member experience - scheduling, programs offered, instructor recruitment and training, music licensing, room design, equipment selection, marketing message, and member onboarding. If you don't have a solid strategy for managing every detail of the member experience, we can help.

INNOVATIVE PROGRAMMING TO EXPAND YOUR REACH AND ATTRACT NEW MEMBERS

EMOTIVE, INSPIRING MARKETING CAMPAIGNS TO IMPROVE YOUR MESSAGE

STRATEGIES FOR MEMBER ACQUISITION, ENGAGEMENT, ONBOARDING, AND RETENTION



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WORKOUT ANYTIME

JOIN A

THRIVING FRANCHISE

THAT IS PROVEN TO BE

RECESSION PROOF

YOU COULD BE NEXT

TINA & MATT CURIED
OWNERS OF WORKOUT ANYTIME CANTON

THE WORKOUT ANYTIME ADVANTAGE:

RECURRING REVENUE:

Ongoing revenue from monthly dues, plus add-on fees from personal training, reACT Training, hydromassage, and tanning.

NO GYM EXPERIENCE NEEDED:

We offer complete franchise gym training.

LOW STAFF REQUIREMENTS:

Run your club with 3-5 employees.

TURNKEY MARKETING:

Leverage our sophisticated Web platform, videos, and marketing collateral.

OPERATIONAL SUPPORT:

Our support team brings decades of fitness industry experience to help you open your business

FLEXIBLE BUSINESS MODEL:

Fits into a storefront, freestanding retail, and non-traditional spaces.

EXPERT REAL ESTATE ASSISTANCE:

Our executive team includes a professional commercial real estate consultant/broker.

THIRD-PARTY FINANCING AVAILABLE:

Our solid relationships with preferred lenders can jumpstart your financing process.

TERRITORIES AVAILABLE:

We are actively pursuing new locations across the country and throughout the world.

WANT TO JOIN OUR BRAND THAT'S HERE FOR YOU 24/7?

CONTACT TERRI HAROF TO LEARN MORE

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