

Norm Cates'

CLUB INSIDER

CELEBRATING 26 YEARS OF TRUST

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CLUB INSIDER

CELEBRATING 26 YEARS OF TRUST

Pete Moore & Integrity Square *Connecting the HALO Sector with Growth Capital*

By: Justin Cates

Since the advent of the spoken word, humans have told stories. Some stories are just for fun; others have the important task of passing along history. In almost all stories, though, fun or purposeful, lessons are taught. Then, the story is passed along again, adapted and evolved as it makes its course through time. The story of **Pete Moore**, *Founder and Managing Partner of Integrity Square*, is comprised of several chapters, each built on the previous and each teaching its own lessons.

If you think about the story that is to be told as a square structure, the first chapter builds the foundation for what is to come. The second and third chapters create

the walls of understanding, building upon the past. The fourth chapter completes the structure. The fifth chapter, however, is the crux, filling the square in with color and providing a springboard into the future.

That springboard is now **Integrity Square**, creators of the term: the **HALO Sector** (*Healthy, Active Living and Outdoors*). The HALO Sector is worth trillions of dollars, not to mention creating good for those who consume the products and services based within. As health and fitness club owners and managers, you are a key segment within HALO, and that will only increase in time.

Coming full circle, Pete's story is fun and historical, and it provides great lessons along the way, not to mention the enormity of what Integrity Square is trying

to accomplish and how they can help you within that context. The way in which he tells this story is passionate, and at times, humorous. That combination makes for an easy, yet insightful read, so I invite you to read on and learn more about *Pete Moore, Integrity Square* and *HALO*. You will be glad you did.

**An Interview With Pete Moore,
Founder and Managing Partner of
Integrity Square**

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

Pete Moore (PM) - I grew up in Westbury, Long Island, a middle-class neighborhood that was safe with tree-lined streets, an ice
(See Integrity Square Page 10)



Pete Moore

ABC Financial Names Bill Davis as President

LITTLE ROCK, AR - ABC Financial Services, LLC (ABC Financial), a leading software and payment processing provider to the health and fitness industry, announced the appointment of **Bill Davis** as *President*.

Davis joins ABC Financial with over 20 years of technology and technology-enabled services experience. He has served in various operational and financial leadership positions at Allscripts Healthcare Solutions, Inc., Blackboard, Inc., and most recently, at Paycor, Inc., a leading human capital and payroll processing provider serving the needs of

35,000+ customers.

"During this time of transformation for the health and fitness industry, there is no better person to lead ABC Financial on a daily basis than Bill Davis," said **Paul Schaller**, *ABC Financial's Chief Executive Officer*. "Bill is a proven leader with strong business vision, operational skills and the ability to bring people together. Bill is uniquely qualified to lead ABC Financial as the company enters its next chapter of expanded product innovation and growth."

"ABC Financial is uniquely

positioned to help revolutionize the health and fitness industry through its technology and related service offerings, and I could not be more honored to have been chosen to lead the company," Bill Davis said. "The opportunity ahead for ABC Financial is vast, but to seize it, we must focus clearly on our strategic priorities and continue to transform. A big part of my job is to ensure we continue to deliver world class service and bring innovative products to our customers more quickly."

Davis will be responsible for the daily operations of ABC Financial,



reporting directly to CEO, Paul Schaller. With over 850 employees, ABC Financial serves the needs of over 7,000 clients throughout the United States, Canada, Mexico and Puerto Rico, most recently expanding into the Brazilian market with the acquisition of W12/EVO.

Inside the Insider: Edition #303

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- Washington State Supreme Court Rules - By: Paul R. Bedard, Esquire
- What's Your Reputation? - By: Derek Barton
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- The Bay Club Company Partners With Troon - Appoints New Members to Board of Directors
- TRT Holdings, Inc. To Maintain Ownership and Reinvest In Gold's Gym
- Zeamo Announces Vendor Relationship With ABC Financial
- And, of Course, *Norm's Notes*

Norm's Notes

■Hello Everybody! This is your Club Insider Publisher and Tribal Leader since 1993 checking in! I'm really fired up today because in just a few days, we'll be heading to beautiful San Diego, California for the 38th Annual IHRSA Convention and Trade Show! Yahoo! We're expecting thousands of club business professionals from around the globe to be there, and of course, we can always depend on San Diego to provide a fabulous convention environment as they always do!

Folks, this will be my 38th IHRSA Convention and Trade Show since RICK CARO and I created what we then called IRSA, The International Racquet Sports Association. We held our first two IRSA Conventions and Trade Shows in Las Vegas, and I was honored to be our First IRSA President. Rick Caro served as our President the next year. They now call the IHRSA leaders "Chairmen/women." Over the years, we've had many terrific people steering IHRSA as our Presidents and Chairmen/women and Board Members, and I want to say THANKS to all of you who've served IRSA/IHRSA during the first 37 years!

Rick Caro is a good friend whom I truthfully nicknamed, "The health, racquet and sportsclub industry's BEST FRIEND," and I'm very proud to be able to say that Rick Caro and I have never missed an IRSA/IHRSA Convention during the first 37 years. Rick Caro is a really terrific and extremely talented guy with whom I

spent countless hours on the telephone between Atlanta and New York City when we were putting IRSA together. Rick and I have stayed in touch with IHRSA, and both of us have done what we can to help the Association along the way.

To say that Rick and I are very PROUD of IHRSA would be a significant understatement. So, with all of the above said, I want to invite you to drop by and visit us at Booth #1105. Also, be sure to visit our Club Insider Advertisers who are exhibiting:

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Sports and Fitness Insurance	#1204

■Is AMERICA a GREAT COUNTRY, or WHAT? The challenges our great country faces now are nothing compared to the challenges America faced during World War II. Regardless of your political inclinations, acknowledging America's greatness should be something you and I can agree on. I mean, where else can you find a country with the freedom that we all enjoy AND the great opportunity to make something out of our lives that all of us Americans enjoy and benefit from. God Bless America!

■CONGRATULATIONS to the following who've been nominated to be IHRSA's next class of Board Members:

FRANK LAWRENCE, *Little Rock Athletic Centers, Inc., Little Rock, Arkansas;*
CHRIS SMITH, *SNFW Fitness BC Ltd., Richmond, BC, Canada;*
CHRIS STEVENSON, *Stevenson Fitness, Oak Park, California;* and
GRETA WAGNER, *Chelsea Piers, Stamford, Connecticut.*

■Thanks and Appreciation to outgoing Ex-Officio Chairman DEREK GALLUP for his service on the Board as a Member and as Chairman. Thanks and Appreciation also to outgoing IHRSA Board Members: MISSY MOSS, LARRY CONNER and RAY O'CONNOR. Last, but definitely not least, special Thanks and Appreciation to JIM WORTHINGTON, IHRSA's highly esteemed 2018/2019 Board Chairman who will become Ex-Officio Chairman after the Convention when the new Chairman is elected and announced in San Diego by the Board of Directors.

■JUSTIN and I want to welcome PETE MOORE, DAVID ZALKOWITZ and their INTEGRITY SQUARE Team as one of our two brand new advertisers this month! Be sure to check out their New Ad on our Premium Page #5 (look to your right). And, let me draw your attention to our



Norm Cates

very interesting Cover Story this month featuring... guess who? Pete Moore and the Integrity Square Team! When you read this very unique and interesting story of Pete Moore and his amazing life, you will understand why it's on our cover this month. Folks, I've been in this wonderful industry about 44 years now, and Pete Moore is clearly one of the brightest, most creative and gifted people I've come across in our industry anywhere! We also want to express our sincere Thanks and Appreciation to the lovely Ms. NIKKI ROE and Mr. MIKE PESCA for their kind assistance producing this special cover story. Don't miss reading one of our
(See Norm's Notes Page 7)

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CELEBRATING 26 YEARS OF TRUST

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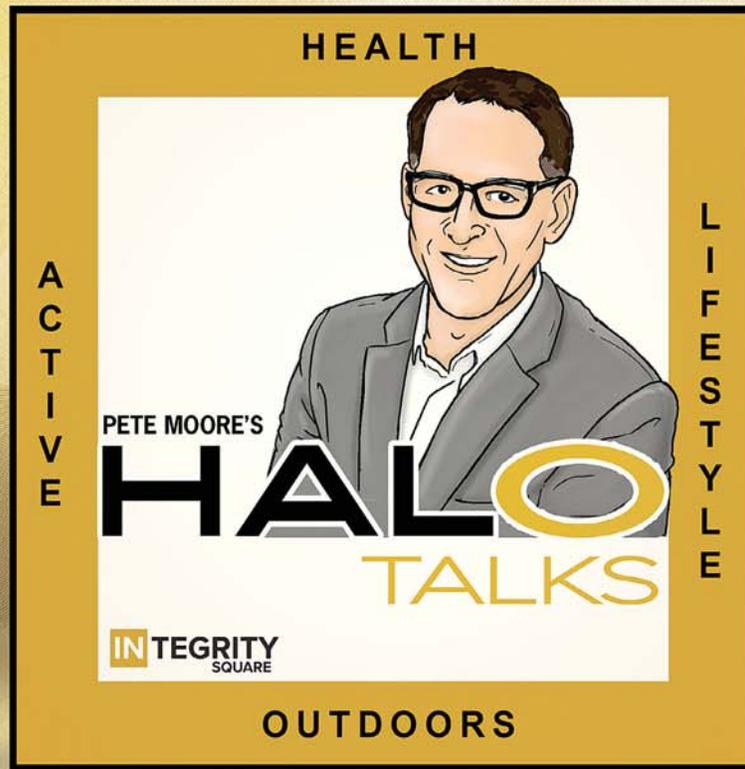
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Exercise IS Medicine!

By: **Mike Alpert**

We know the powerful effect that exercise has on a variety of diseases. Typically, we focus on cardiovascular disease and diabetes, but research is coming out almost weekly about the positive effect exercise has on not only the prevention but also the treatment of cancer. The best evidence we have is on breast and colon cancer, but medical research is showing drastic improvements on many different types of cancer, including prostate, stomach and pancreatic cancer. We now know that women who have breast cancer cut their chances of dying from it in half if they do moderate exercise, like a 45-minute brisk walk daily, and the recurrence of the cancer drops by more than half. And, people who have colon cancer and do moderate exercise are 50% less likely to die from it.

Two years ago, my daughter lost one of her very best friends to cancer, a beautiful young woman just starting out in life gone to this dreaded disease. Watching her family go through losing their child is something that no parent should have to do. As sad as this was for my daughter, and for me as her father to witness, it gave me time to pause and to reflect on the good we have been doing for children who are struggling with this disease. With that in mind, I have asked one of the parents of a child who is in our Pediatric & Young Adult Cancer

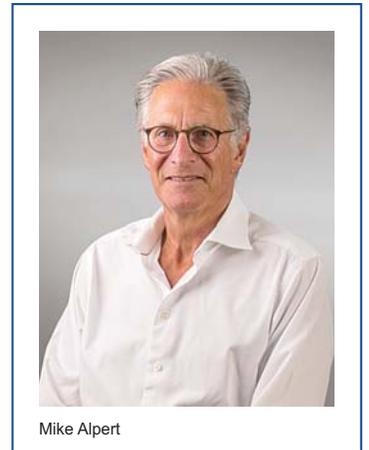
Program to write a testimonial in their words on how exercise has helped their son. The following is what she had to say:

"The word cancer is enough to rock any family, let alone when a family is hit by it on four different occasions. Our son, Zein, who is now a 12-year-old, four-time cancer survivor, has been battling two kinds of stage four cancer four different times in his life. We decided from day one to fight this beast with the best of attitudes and combat it as much as we can with keeping life as "normal" as possible amidst all the calamities. Staying positive hasn't always been easy, especially when our life all of a sudden transformed to include living in the hospital for weeks and sometimes months.

Interacting with the outer world and having a semi-healthy lifestyle became a dream of ours, but it's not something that we could easily attain due to our tight schedules and difficult reality, until one day in the summer of 2014 when Zein was recovering from his second cancer of the brain. At that time, we decided to start enrolling him and his sister in a summer camp, one that would allow him to regain some of his childhood and be in a healthy setting away from the stress of the hospitals.

Coincidentally, hearing about The Claremont Club and asking about their qualifications, especially when having a

kid like ours with an intense health history, we were pleasantly surprised to find that they have a fully structured program catering specifically to kids with cancer and promoting exactly what we had been looking for... a healthy lifestyle. Our whole family joined the program in 2014, and ever since, it became a part of our daily life. It's not just our kids attending camp and training sessions there, but my husband and I train there as well every other day and enjoy looking forward to working out, group classes, enjoying the facility after every chemo session or even before scans to release any sort of stress. It definitely had its positive effect on us in terms of always having a positive resource to look forward to and a healthy way to structure our lives. We even make sure that, as much as we can, we schedule the doctor appointments around our training sessions, not the other way around. We will have days where we run to catch a swim class and head to Los Angeles for a CT scan. As cancer parents, we can't stress enough on how important it is to find a healthy resource and a positive (venting) place to maintain our wellness and overall wellbeing as caregivers. The staff and team at the Claremont Club goes above and beyond to make that happen and help us, not just through the program, but with any specific health needs we might request for Zein and any of our family members, that overall aims to help reach



Mike Alpert

the same positive goal of total wellness and health."

■ ■ ■

During President Trump's State of The Union address, he proposed a bill to fund research to eradicate pediatric cancer. Let's make this an industry goal. **Exercise IS Medicine.**

(Mike Alpert is the President and CEO of The Claremont Club in Claremont, California. Mike can be reached by email at malpert@claremontclub.com.)

The Bay Club Company Partners With Troon

Premier Active-lifestyle Company Also Appoints New Members to Board of Directors

SAN FRANCISCO, CA - The Bay Club Company ("Bay Club") announced they have selected Troon to manage their growing collection of golf operations on the West Coast. In addition to announcing this significant partnership, Bay Club also announced the appointment of two new members to The Bay Club Company Board of Directors: **Rick Caro** and **David Brandon**.

New Partnership With Troon

Troon, a leader in golf course management, development and marketing, will bring its expertise to all Bay Club golf operations up and down the West Coast. The Bay Club portfolio encompasses a collection of 26 properties across nine active lifestyle campuses focused on fitness, sports, family and hospitality. Members of Bay Club enjoy a range of high-end lifestyle amenities typically only found at country clubs and luxury resorts.

"Bay Club presents an innovative

concept in which members can experience an array of lifestyle amenities at a variety of locations," said **Mike Ryan**, *Chief Operating Officer of Troon*. "We are excited about this new partnership and look forward to growing with Bay Club as they expand into more markets."

Currently, three Bay Club campuses offer golf as a member amenity. In addition to playing award-winning golf courses, members can enjoy casual pre- and post-round dining, regular member-only tournaments and events, professional instruction, practice facility access and resort-style clubhouses.

"Our new partnership with Troon will enhance current member experiences while allowing us to significantly increase the number of golf properties within our portfolio," says **Matthew Stevens**, *Bay Club President & CEO*.

New Board Members

Rick Caro and **David Brandon**

have been selected to join the Bay Club Board of Directors as the company prepares for acquisition and partner growth.

"I am honored to join the Board of The Bay Club Company. This is a unique time in the club industry to have a leading club company poised to grow through acquisitions of other quality clubs, including some single clubs," said Rick Caro.

The two new members will join the existing board comprised of **Kevin Klipfel** and **Matthew Stevens** from Bay Club, as well as members from KKR, which will benefit from their expertise as the board and executive management team continue working together to lead the company's growth and long-term success.

"Our business strategy of growth through acquisitions and providing our members with both greater geographic access and a continuously expanding list of lifestyle choices puts Bay Club, 'in the right place at the right time,' and I am looking forward to lending my experience and energy to help create success for our

members and all other stakeholders," said Dave Brandon.

"We are thrilled to have the experience from a club industry pioneer and the diverse insight from one of the most respected leaders in the consumer space join our Board," says Stevens. "Rick and Dave's collective acumen will help us strategically navigate the ever-changing fitness and hospitality landscapes while we continue to deliver the most premier, member-first experience."

For more information about The Bay Club Company, please visit www.bayclubs.com.



...Norm's Notes

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most interesting cover stories ever, beginning on Page #3! Great job, Pete Moore and Justin Cates!

■ **Welcome Aboard** to **GEORGE JACKSON** and his company, **TG The Gym**, an upcoming brand and licensing concept with which he's aiming to address a market need he believes is yet to be filled... both for the consumer and the owner/operator. Currently, George has locations in **San Diego, California**, where his headquarters is located, and in **Vista La Quinta** and **Victorville, California**, with the next one coming soon in **Houston, Texas**. Check out **George's New Ad** on **Page #22** of this edition. **Good luck George and Team** as you guys move forward!

■ **TRT HOLDINGS, INC.** has announced that they intend to maintain ownership of the majority shares of **Gold's Gym**, and they also plan to reinvest in the company. Importantly, TRT announced that **ADAM ZEITSIFF**, formerly the **Chief Information Officer (CIO)**, will return to lead the brand as **President and CEO** effective immediately. This announcement follows their July 2018 announcement that they would explore a possible sale of the company. See the **Press Release** on **This Page**.

■ **RALPH RAJS** has been named *Vice President of Fitness Innovation and Programming* for **In-Shape's 65 Health Clubs**. Ralph brings over 20 years of

experience in fitness and multi-club management. **FRANCESCA SCHULER**, *CEO of In-Shape Health Clubs*, commented on Rajs' appointment, "As a fitness company, we are committed to providing the most motivating and relevant fitness experiences and programs to all of our communities at an unbeatable value. We're excited to have Ralph on board to lead our team to achieve big things in 2019."

■ **Best wishes** to **IHRSA's HELEN DURKIN**, who for 30 years, has served as the **Association's Vice President of Public Policy**, announced that she will take over as **President of NCPPA, The National Coalition for Promoting Physical Activity**. **Helen will serve as NCPPA President and will spearhead the coalition's advocacy and public**



policy efforts for the next two years. Stay Tuned!

■ **JEFF EVERSON**, a major force in the bodybuilding world, has passed away at the **age of 68**. He founded **Planet Muscle Magazine**. Jeff won the **Masters Nationals - NPC Bodybuilding Competition** in **1992**, the same year he placed 6th in the masters division of the Mr. Universe competition. went on to train and marry **6X Ms. Olympia Champion, Cory Everson**, arguably the greatest female bodybuilder of all time. **May Jeff Everson Rest In Peace.**

■ **Never Say Die!** The history of **Abraham Lincoln** is one that I may have known at one point in my life, but I didn't remember a lot of it until I received an email from our friend, **JOHN McCARTHY**, which reminded me of the amazing life of the **16th President of our United States**. President Abraham Lincoln served from 1861 until his assassination in April 1865. To me, what's quite amazing is the life of struggles and defeats this man endured and battled through before he was elected President of the United States in 1860 and began to serve in 1861. The following (See *Norm's Notes* Page 8)

TRT Holdings, Inc. To Maintain Ownership and Reinvest In Gold's Gym

DALLAS, TX - TRT Holdings, Inc., the majority shareholder of Gold's Gym since 2004, says that it has chosen to retain its ownership and reinvest in the iconic brand. It has brought back former *Chief Information Officer, Adam Zeitsiff*, to the company in a new role as *President and CEO*, effective immediately.

In July of 2018, TRT had announced it would explore a possible sale of the company.

"As we worked through the exploratory process of selling the brand, we continued to see growth opportunities for Gold's Gym in a number of areas within the fitness industry," said *TRT Holdings President, Blake Rowling*. "After carefully considering our options, we felt that we would be leaving too much value on the table by selling the company today."

As President and CEO, Zeitsiff, who held the position of CIO for Gold's Gym from 2016 to 2018, will continue to focus the company on industry-leading digital innovation, franchising and growth.

"Adam's entrepreneurial back-

ground, hands-on leadership style, passion for the fitness industry and proven ability to execute accelerated growth plans makes him the perfect fit to lead the brand's evolution going forward," Rowling said.

As CIO, Zeitsiff spearheaded digital innovations such as the development and launch of **GOLD'S AMPTM**, the first digital personal training app from a brick-and-mortar gym.

"I am passionate about our iconic brand and about leading this team of talented, committed and caring people," said Zeitsiff. "We have a strong vision for the future of this company and will be laser-focused on partnering with our global franchise community to continue to grow the brand and expand our worldwide prominence in the fitness industry."

Former Gold's Gym CEO Brandon Bean has left the company.

"We are grateful for everything that Brandon has done for Gold's Gym and the TRT organization over the last 12 years," said Rowling. "He has been instrumental in many areas of our business and we wish him the best in his future endeavors."

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...Norm's Notes

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list shares the life and times of Abraham Lincoln. So, I invite you to read on. And, I invite you to consider your life... and if you have ever had tough battles in your life that were, or are, making your life very difficult, even a real struggle sometimes, then I say to you: **Never Say Die, my friends! Don't you give up on the pursuit of your goals in your life.** Just look at what one great American, Abraham Lincoln, endured before he finally rose to be the most important man in America as the President of the United States of America.

JOHN McCARTHY
write about President Lincoln:

February 12, 1809 was Abraham Lincoln's birthday. He was born 210 years ago in Hodgenville, Kentucky. We all know of Lincoln's great accomplishments. But, I've always found it interesting to look at the long list of failures he had to overcome prior to reaching greatness. What would our nation be like if he would have given up or allowed failure to discourage him? Many historians say Lincoln may have been the smartest U.S. President to ever serve our nation, and he had the highest I.Q. by a fairly large margin. Included below is his

daunting journey to the White House. Also included are a few fun facts you may not have known about Lincoln (Source: History, Wiki, Life):

- 1816:** His family was forced out of their home. He had to work to support them.
- 1818:** His mother died when he was 9.
- 1831:** Failed in business.
- 1832:** Ran for state legislature - lost.
- 1832:** Also lost his job - He wanted to go to law school, but he couldn't get in.
- 1833:** Borrowed some money from a friend to begin a business, and by the end of the year, he was bankrupt. He spent the next 17 years of his life paying off this debt.
- 1834:** Ran for state legislature again - won.
- 1835:** Engaged to be married. His sweetheart died, and his heart was broken.
- 1836:** Had a total nervous breakdown and was in bed for six months.
- 1838:** Sought to become speaker of the state legislature - defeated.
- 1840:** Sought to become elector - defeated.
- 1843:** Ran for Congress - lost.
- 1846:** Ran for Congress again - this time he won - went to Washington and did a good job.
- 1848:** Ran for re-election to Congress - lost.
- 1849:** Sought the job of land officer in his home state - rejected.
- 1854:** Ran for Senate of the United States - lost.
- 1856:** Sought the Vice-Presidential nomination at his party's national convention - got less than 100 votes.
- 1858:** Ran for U.S. Senate again - again he lost.
- 1860:** Elected President of the United States.

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

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

(Norm Cates, Jr. is a 40+ year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of Club Insider, now in its 26th year of publication. Cates was IHRSA's First President, and a Co-Founder with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. In 2017, Cates was honored with Club Industry's Lifetime Achievement Award. Cates can be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)



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...Integrity Square

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cream truck rolling down the block and all sports all the time, from basketball to roller hockey to running bases to tackle football. We did not have Purell waiting for us at home. We did not wear helmets while riding our bicycles. And, we did not have any cell phones... the good ole' days. My parents were always supportive and loving as I grew up with an awesome younger sister along the way. Times were shaped with family, grandparent visits, friends, Reform Temple, sports, sleepaway camp and constant sarcasm. I watched my father as the CEO of a food service equipment company, which shaped my views of business.

Chapter 1: The Foundation

C.I. - You studied at two very prestigious institutions: **Emory University** in Atlanta and **Harvard Business School** in Boston. Please tell us about that experience.

PM - I did my undergrad at Emory and studied Finance. I was President of my fraternity for three semesters, so I was under threat of being a leader and being accountable, getting everyone to play from the same playbook (laughing). I do not think I truly recognized the liability of running for that position as I do now. When a pledge was dropped off in Alabama and did not return for 48 hours, I began to understand assets and liabilities in the most financial sense (laughing). At Emory, I learned the basics of accounting, finance, teamwork and building strong relationships.

From there, I moved back to New York in 1994 and worked at Chase Manhattan Bank as a Financial Analyst, working 100 hours a week for two years; some of that work was with one of my current senior partners at Integrity Square, **Richard Gross**. I was the junior analyst on many mergers and acquisition (M&A) transactions and several project financings.

Then, I was recruited to Donaldson, Lufkin & Jenrette (DLJ) into the Private Equity Coverage Group (when there were only 40 private equity firms) and was part of an initiative to generate M&A transactions for the investment bank. We pitched companies to acquire, to merge, to consolidate, to tear apart... we threw a lot of ideas up against the wall and generated a lot of great transactions for all involved. While at DLJ, my Uncle was living in Boston and kept pestering me to apply to Harvard Business School (HBS), which I deemed a crazy idea. But, I did it anyway, along with recommendations from my mentors at Chase (**Randall Stephenson**) and DLJ (**Nils Nilsen**), who were HBS alumni. I was accepted and reported to HBS in the Fall of 1997.

During the first four weeks at HBS, I called my Dad every few nights

questioning, 'What am I doing here? I don't know if this is the place I want to be.' When you get into a new pond, it takes a little while to figure out if you should be there. When you are in a new environment, you are trying to feel out what your place should be. When you go to college, it takes a little while to figure out who your friends are, how the culture is, what level of preparation you need, what level of sarcasm you can have, how much work you need to do, how disciplined or undisciplined you can be, etc. So, it took a little while to find that group of friends that I felt comfortable with. But, it wasn't until I got cold-called by the professor during an accounting class and was able to fill the board, as they do for a case study, that I felt that I was 'allowed' to be there. Twenty minutes with the 'professor and the marker' made me feel like I could compete at that level. There was someone there who spoke five languages and ran Ford's motor plant in Mexico, someone else who did a biotech start-up, et. al. and... I went to Emory and was the Intramural Athlete of the Year (laughing)...

While I was at HBS, I cut my teeth on the Internet and started a company called **IronPlanet** as part of a business plan competition. There was a guy from outside the school who put up a posting to do a potential Internet play in the construction equipment/government disposal market. For example, when the Department of Defense wants to get rid of an old railcar that was used to transport missiles across the country, there are people who collect those kinds of things. We had a four-person team and put a plan together. We said, 'This doesn't make sense; it's too dirty. But, you could do this in the used heavy construction equipment market... Caterpillar, John Deere, Komatsu, Volvo, etc.' We figured out that there were a lot of transaction costs in order to sell a piece of equipment. So, we were able to set up a business model where we had professionals from a company called DynCorp (a public company that did inspections for military bases) do asset inventory, take pictures, etc. Then, we got Lloyd's of London to put a guarantee on that, so it was basically a certified inspection report.

This was 1999, years before WiFi or even before DSL lines if you can remember those. Originally, it was called usedequipment.com. In that industry, they talk about 'moving iron,' so we trademarked 'IronPlanet' and secured the URL. So, we entered the business plan competition, and the guy who came to us with the original idea did not want us to take the whole team. We talked to our professor and explained the ideas, the partners we lined



up, our name and URL, etc., and he said, 'Life is too short. If you don't trust someone, then this is worth nothing. You don't want to partner with people you don't feel good about.' We didn't want to cut anyone out, so we found a way to take a small piece of the equity and did not pursue the venture. Long story short, 17 years later, that company was sold for \$758 million. Sometimes, when you start an idea, it takes a really, really long time to reap the rewards from it. Each member of our team made a bit of money from the sale of the stock that we received back in 1999, so it was all worth it!

From that experience, I learned about the Internet and kind of became an evangelist back in the day. I needed to be able to start ideas, but my background was always in private equity. My father ran a business and has been a lifelong mentor. He was more conservative with his approach, but I was anxious to become an entrepreneur. However, the warm weather and a new private equity first job was open in Boca Raton, Florida with a great bunch of professionals whom I met at the end of my HBS semester. So, I put my start-up plans in a drawer for a later date.

Chapter 2: Brockway Moran & Partners

C.I. - Following Harvard Business School, please tell us about your time with Brockway Moran & Partners.

PM - In March of 1999, it got really, really cold, and I used to run along the river every morning. I thought: Why am I living in Boston or New York? Why don't I go live in Florida? I ended up finding a job at a firm called **Brockway Moran & Partners** down in Boca Raton. So, at the ripe old age of 27, I moved down to Boca Raton and started working for them. One of the first deals in this \$200 million fund was that they had a Letter of Intent to buy Gold's Gym International, Inc. I was sitting around the conference room table and realized I was likely the only guy in the firm who had a health club membership and owned a tank top (laughing). The private equity firm owned an aerospace parts company and a chemical company, so I raised my hand and asked to be on the fitness deal... and I have not left the industry since.

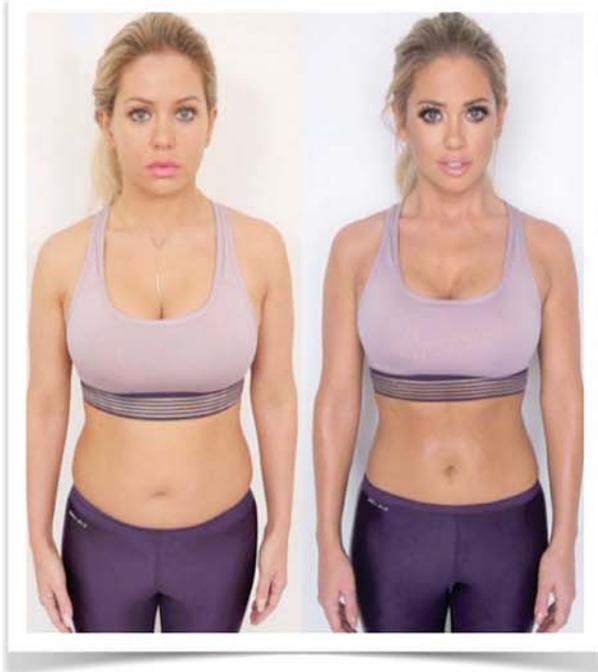
At the same time, the Internet was going crazy. Since I had just gotten out of business school, I was thinking, 'The Internet is going to be big, really big.' I went to **Peter Brockway**, who is still a good friend and a co-investor in some of our deals with Integrity Square, and asked if we can invest in GoldsGym.com, online fitness nutrition, sales management software, etc.' He said two things to me that were very important, in hindsight:

1. Pete, we are running a private equity fund here and not a venture fund.
2. I am not sure why you are not able to put an apostrophe in GoldsGym.com so I shouldn't be investing in new technologies until I fully understand them.

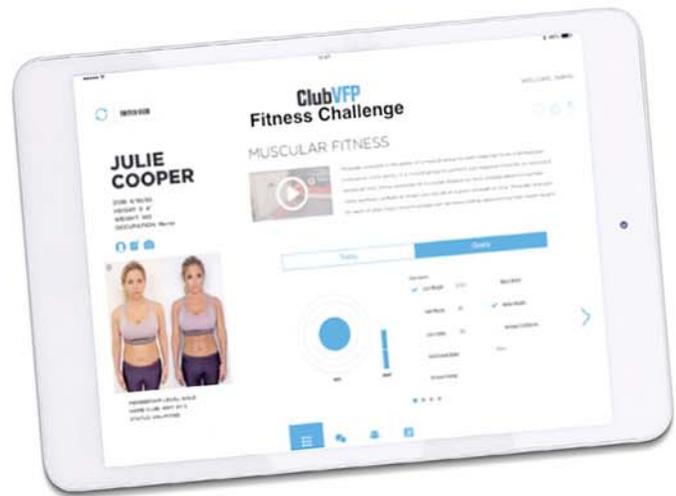
So, I spent about six months looking at the fitness industry and trying to help in franchising, licensing and acquisitions with the management team led by **John and Kirk Galiani**, who are still good friends. But, at the same time, and in
(See *Integrity Square* Page 12)



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...Integrity Square

continued from page 10

business school, I had been buying AOL LEAPS.

A LEAP is a *Long-term Equity Appreciation Security*. While I was in business school and AOL was at \$20, instead of buying an option for three, six or nine months, I went out for two years. It's a longer contract option and usually a sucker bet. But, AOL was going up \$2 or \$3 a day, pretty much for no reason, and it kept going up. So, I ended up taking about \$30,000 and bought two-year LEAPS that would go to \$80. It was kind of a sucker bet, but I took it and ended up turning it into a few million dollars. I didn't know what money was back then, anyway.

The important part of the story is that, while I was at Brockway Moran, I understood the Internet because of what we blueprinted with IronPlanet, I got brainwashed at business school about starting new ideas ('If you have one, do it.'), and at the same time, I'm ticking up my stock and options accounts. I'm thinking, 'I'm really smart now...' So, I went back to Peter Brockway and asked if I could do the GoldsGym.com thing on my own.

Chapter 3: Fitness Insite



C.I. - Wow! So, that led to the formation of Fitness Insite?

PM - I ended up partnering with **Don Hoskyns** out of Phoenix, Arizona to take his company and reorganize it into the leading Application Service Provider in the fitness industry with over 1,500 locations using our software platform. It was April 1, 2000, I rented a Pontiac GrandAm and lived in an AmeriSuites. We hired 30 people: fitness nutritionists, registered dietitians, exercise physiologists, etc. We created this online fitness nutrition program, and Gold's was our first client. Every two weeks, when we needed money for payroll, I would just call my broker and say, 'Sell a hundred AOL LEAPS.' Well, that only lasts 50 payrolls... we made money, raised money, invested money, tried everything to get that company profitable, but it was too early of an idea in a market that was not ready to embrace web technologies yet. And, at HBS, they didn't have a class called: *When Do You Know to Stop Playing the Game?*

I'm out there basically in the middle of the desert with my good friend, **Brian Mitchell**, running sales by my side... and September 11th hits. No one wants to invest in anything. Everyone is basically triaging, psychologically and physically, so there's kind of a pause in business for several months. I thought: my idea is a B2B2C model. I've got Gold's Gym, World Gym and Powerhouse. I raised some

additional capital from friends, family, some NFL players, etc. and said, 'I'm going to keep going.'

I didn't take a salary for about 3 ½ years and ran around the country trying to get club owners to get on our web platform. The club industry was not really connected to the Internet yet, so when I would arrive at a client's location, we would need to go to his house! The interesting part of the story here is that, though I was the 'Internet Guy,' I was really the Banker running around in Internet clothing. As I stopped at each club chain, the conversations started with leads from the Internet but ended at EBITDA valuation and how to raise growth capital... so 'PeteyMo is coming to town; we're gonna learn about revenue, EBITDA, and we're also going to do the website.' (laughing)

I was on the road for three years straight along with two cellphones: the 561 number was for East Coast clients, and the 602 number was for West Coast clients. Today, people think, 'I'm going to start a company and go to Amazon Web Services or GoDaddy.' None of that existed. Don and I had a server rack and a key employee who handled it. Back in the day, you couldn't reset the server remotely, so if there was a problem, he had to go down to the AT&T data center in Phoenix and turn it off and on.

With that experience, I learned what it really took to run a business. When I was in banking, you could say, 'Hey, let's run this Excel model and increase revenue by 30%.' You plug that in a cell. In the real world, you've got to hire people, pay them, train them and get them on the road. Software had to be developed and tested; you cannot tell anyone Version 2 is coming out in 90 days, because then, they won't buy Version 1. Then, you've got all these bells and whistles people want to add, and back then, we had customer support via dial-up (laughing). So, to make a long-story short, I spent 3 ½ years trying to build this company against the wave, because the technology was not ready yet.

Peter Brockway said to me, *'Experience is what you get when you don't get what you want.'* Maybe the idea is too early or the market isn't ready for it. You've got a great idea, but you've got to change its path. Or, you need to stop and focus on your unit economics before you expand. Those kinds of things... after you see the movie a few times, you can tell someone what happens. It's the same in business. Anyone who is advising you in business will have their own overlay, but I believe there are certain business principles that always prevail. Who are your customers, are you solving a frustration and *do you*



HALO TALKS: Pete Moore and Cate Luzio, Founder and CEO of Luminary

have the capita? A lot of the businesses that are coming out are cool and have bells and whistles, but people pay to solve frustrations.

Chapter 4: Sagent Advisors



C.I. - What happened next?

PM - On November 15, 2003, Gold's Gym canceled their three-year agreement because we were running websites for about 300 different clubs, and they all looked similar to the Gold's Gym site. In web design, there is something called Cascading Style Sheets (CSS), so if Mike had a club in Oceanside with the colors of white and red, he'd have a website that looked like Gold's but in white and red. Gold's Gym had it in black and gold. So, Gold's basically came back and said, 'We want an exclusive in the fitness industry.' I explained that we couldn't do that. At the same time, I went to Kmart to buy a work belt for a friend who was having a birthday. I dropped down eight different credit cards that I used to keep the servers on, and I left Kmart without the work belt. I was basically busted, and at that point, I thought: *I cannot continue down this path of trying to be an entrepreneur.* You've got to know when it is time to stop. So, I left the business with my partner, Don Hoskyns, who continued to run the software out of Phoenix, and I flew back to New York City on

November 15, 2003.

On November 18th, I reported to work for the guys I used to work for at DLJ, who had started up a firm called Sagent and started up the firm's Private Equity Coverage group alongside an Active Lifestyle & Wellness practice. We made a name for ourselves in the sector by helping Royce Pulliam raise capital to build Urban Active; advising on Massage Envy, Crunch; as well as several sports-related transactions.

While at Sagent, I kept funding the software company on the side and paying off the company's debts as it was the right moral move. At the end of the day, you need to feel good about yourself. The basis of capitalism is **TRUST**, so if you don't have that, then you're in a lot of trouble and the whole system falls apart. So, I felt morally obligated, as well as in some cases, contractually obligated, to take care of that. And, I didn't want that company to fail. It basically went down to four people, and the company remains in business.

So, I made a clean break. I bought three suits, rented a small studio apartment and went back to banking. The humility associated with those times is something that was really important. When you write a check to cover payroll, you feel it. Today, when entrepreneurs come in, I'm not a banker they are talking to. I am a fellow entrepreneur who just happens to be on this side of the table now, as an investor, advisor, coach and mentor. You can't really say, 'I know how you feel,' until you really, 'know how it feels.' Another important thing is understanding patience in a business. If you want to create something of value, it takes a long time. Then, when you create something of value, someone will pay you when you want to exit (another Brockway takeaway).

INTEGRITY SQUARE

(See Integrity Square Page 16)

125 New Members Avg. Per Month, Who Would Never Have Stepped Foot Into a Gym Before!

How We Added \$1.6 Million in One Year

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

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

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

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

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

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



Jennifer Stafford - 20/30 Fast Track Licensee

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

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

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

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

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

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

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

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

Within the first year, we put over 1,500 people through the program, and it's just continued to progress. We produced 1.6 million the first year! It's just been phenomenal.

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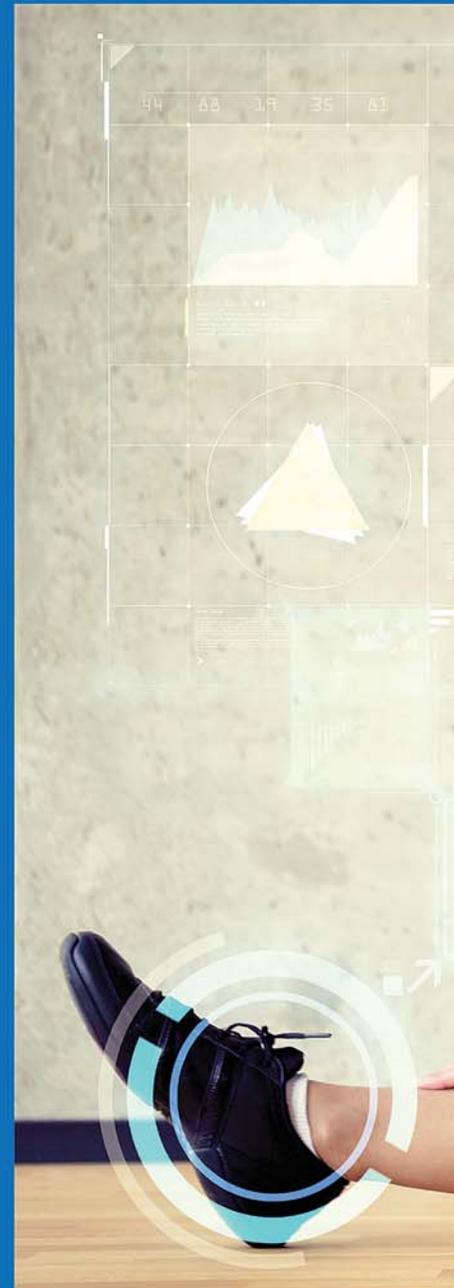
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...Integrity Square

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Chapter 5:
Integrity Square



C.I. - That brings us to Integrity Square. You didn't give up, so what led you in this new entrepreneurial direction? When was Integrity Square created and how?

PM - About nine years ago, in April 2010, my partner, **David Zalkowitz**, and I started an investment advisory firm focused on helping people buy and sell health and wellness companies. Most of those were health clubs: Gold's, Crunch, some of the bigger chains around the country. At first, we were more of an advisor, so we did a lot of the buy-side, sell-side work. Over the last few years, it has morphed from an advisory firm into also being a seed investor in several new companies. We try to put capital behind entrepreneurs and further something I will explain later called the *HALO Sector*.

It was tough starting out because it takes a while for people to get to know who you are and to trust you. One deal begets the next deal, because if you're an advisor, you've got to be relevant. You've got to know the industry intel of what multiples were paid by which companies and why, who the potential buyers are, etc. Then, we brought on **Richard Pyle**, who used to be *CFO of New York Sports Clubs*. He's a great addition to our team. Three people from Sagent also joined us, so we then had a six-person team. We were doing investment banking, consulting and diligence assignments.

C.I. - You mentioned Integrity Square's evolution from primarily an advisory role to now an equity investor. There's a lot going on in between those roles, so please take us through your product menu.

PM - Financial Advisory: sell-side, buy-side, capital raising, private placements, valuation and special situations.

Consulting: strategic, market intelligence, due diligence, board representation and executive search.

Connections: partnership development, conference, networking events and real estate partners.

C.I. - Who is your typical target prospect? What are they looking for?

PM - In terms of advisory assignments, we are seeking companies with over \$3 million in EBITDA and seeking to raise north of \$10 million in debt or equity. We have worked on deals as small as \$10 million and up to \$800 million in enterprise value. We now have a team of a dozen professionals out of our offices in New York City alongside a

team that focuses on strategic consulting, executive search and *HALO Academy* educational events.

C.I. - How does one know if they are the right fit for you?

PM - We are seeking companies that are through the first phase of internal growth and looking for additional equity to take their business to the next level. Typically, the entrepreneur is seeking his first institutional capital partner.

C.I. - How long does it take to fund a new deal or sell a collection of clubs (or other health and fitness business)? And, what are some steps club owners can take to prepare for these transactions?

PM - It is typically a six- to nine-month process. There should be tight financial controls and an understanding of the business model. Having an audit is very helpful in raising outside capital along with detailed support on the growth of their business, return on their invested capital on locations to date, unit economics, et. al.

C.I. - Your name is very interesting and important. How did you come up with **Integrity Square**?

PM - Those two words are important:

Integrity - This goes back to the idea that you either have integrity or you don't.



I have always been enamored with the word, 'integrity.' It has various meanings, but in essence, it represents doing the right thing in a reliable way and having a moral compass. If we do a handshake deal on something, the legal documents will come back as we agreed. On the other side, to protect our clients, we keep a blacklist of those who have re-traded on deals, and we will no longer show new deals to them. That ties into the *Square*.

Square - If you're allowed in the Square, you're protected by the Square. When we were starting out, we worked from my apartment in Union Square, so we would say, 'Hey, I'll meet you in the Square.' You know, I looked this up one day because I wanted to know what the word 'client' truly meant. Most people don't know, but if you go back to the Latin version of the word, it means, 'someone under your protection.' So, we tell people that, when you are a client of Integrity Square, and you are 'inside the Square,' it's our obligation to Protect you.

We'll make sure you don't do bad deals or get in bed with the wrong people.

Integrity Square - The combination of the two words means we are a firm that does right by our clients and in proliferating the industry.

C.I. - The Mission of Integrity Square is "to advise, connect, and empower fast growing companies, exceptional entrepreneurs, seasoned executives, and capital providers involved in the health, active lifestyle and outdoors sectors. Integrity is the guiding principle of our approach with our clients and partners." How did you and your team come up with that Mission?

PM - We googled the word, 'wellness,' and didn't like what we found. So, we created the **HALO Sector**, and the **HALO Effect** is happening. Our collective movement is going to change the world, reduce obesity, increase happiness and eliminate loneliness.

(See *Integrity Square* Page 18)

INTEGRITY SQUARE REPRESENTATIVE TRANSACTIONS

- Orangetheory Fitness Northern California: SALE TO CASTANEA PARTNERS
- Orangetheory Fitness Texas: GROWTH EQUITY INVESTMENT BY CLEARLIGHT PARTNERS LLC
- Tw: SALE TO TOWN TOWN SPORTS INTERNATIONAL
- ClubReady: EQUITY INVESTMENT BY LEVEL EQUITY
- EoS Fitness: SALE TO BRS
- SpaceCycle: GROWTH CAPITAL RAISE FOR EXPANSION INTO CHINA

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...Integrity Square

continued from page 16

The HALO Sector

C.I. - Of course, that begs the question, then: What is HALO?

PM - I had been working in the health and fitness industry, which has also been coined the 'wellness' sector, for about 15 years, until I woke up about four years ago and said, 'I just don't like the word 'wellness.' Basically, it's coined by Dr. Halbert Dunn, a biostatistician from the Mayo Clinic in

1929, who was trying to come up with the opposite of 'Illness' and came up with 'Wellness.' So, if you are not sick, you are, 'Okay.' This was not aspirational enough for us, and we wanted to come up with something that motivated us. And, instead of trying to go under someone else's sector focus or SIC code, we decided we would create the HALO Sector and the HALO Effect.

HALO: Health, Active Lifestyle and Outdoors.

Everyone in the HALO Sector

HALO

knows how to help people feel amazing, how to optimize the mind and body and how to stay off those crazy pharma drugs with all the ridiculous side effects. The HALO effect is happening, and we want to play our part in creating a healthier America.

your business plan and figure out who your strategic partners need to be, the kind of people you need to hire, where you should be located... that's your blueprint, whether you're a club, a fitness studio, spa, food or beverage company, etc. All of these businesses have a path, and we want to help entrepreneurs on that path, taking their dream and architecting it into reality.



Thank you to Pete Moore, Nikki Roe and Mike Pesca for their assistance in bringing this cover story to you, our dedicated readers. Thanks for reading, and welcome to HALO.

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

The Dream Architect

C.I. - Pete, to close this in-depth interview, I couldn't help but notice that one of your official titles is 'Dream Architect.' I love it. Please tell us about that.

PM - A number of people who are entrepreneurs come to us and ask us to evaluate their ideas and help them take it to the next step. I think that, when you start a business and turn your passion into a profession, there are many steps you need to take in order to do it properly. If you're an architect, you take a drawing and turn it into a building. The drawing becomes the blueprint of what you want to create and your vision. In business, you have the same thing. If we can architect

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In 2018, Integrity Square and Crunch Fitness partnered to raise over \$300,000 in fitness equipment and cash to help most of the 225 NYC Fire Stations in the Five Boroughs.

Washington State Supreme Court Rules: Public Accommodation Employers Are Strictly Liable When Employees Discriminate Against Non-Employees

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

Employers may be found liable for the actions of their employees due to numerous legal doctrines. In addition to federal and local legislation, various state laws impact the causes of action available. A state law prohibiting discrimination, *the Washington Law Against Discrimination (WLAD)*, was enacted many years ago to combat discrimination in employment, places of public accommodation and other contexts. The Washington State Supreme Court broadly interpreted the WLAD when it recently ruled, "employers are directly liable for the sexual harassment of members of the public by their employees, just as they would be if their employees turned customers away because of their race, religion or sexual orientation," whether or not the employer is aware of their employees' behavior.

Washington Law Against Discrimination

Like restaurants, hotels, theaters, banks and other places generally open to the public, health clubs are classified as *places of public accommodation*. Although broader in its applicability, the WLAD provides people the right of "full enjoyment" of places of public accommodation while being free from discrimination based on race, creed, color, national origin, sex, sexual orientation, physical disability and more. Sexual harassment is viewed as a form of sex discrimination.

Washington State Supreme Court Ruling

The Washington State Supreme Court's ruling in *Floeting v. Group Health Cooperative* involves a case in which a patient of a medical clinic complained of repeated sexual harassment by an employee of the clinic. Floeting alleged that, beginning in July of 2012, he was repeatedly sexually harassed by a Group Health employee during his regularly scheduled medical appointments. Floeting filed a complaint with Group Health. Group Health promptly investigated, and two weeks later, terminated the offending employee's employment.

Nonetheless, Floeting sued Group Health due to the alleged unwelcome and

offensive conduct. The trial court dismissed Floeting's claim on summary judgment when Group Health argued that the alleged discrimination should be viewed within the context of employment discrimination rather than the context of public accommodations. Floeting appealed the trial court's dismissal, and the Court of Appeals reversed the trial court's decision.

While affirming the ruling of the Court of Appeals, the Washington State Supreme Court held that, "under the plain language of the WLAD, employers are directly liable for the sexual harassment of members of the public by their employees." The court noted that sexual harassment is a form of sex discrimination, which was analyzed like other forms of discrimination in places of public accommodation.

Washington's highest court made abundantly clear that the employer's intentions and knowledge, or lack thereof, would not serve to protect the employer from liability. "This broad standard focuses the liability inquiry on whether *actions* resulted in discrimination, not whether the proprietor of a place of public accommodation intended to discriminate." The court further opined that the WLAD, "is not a negligence statute where foreseeability matters; it imposes direct liability for discriminatory acts, regardless of the culpability of the actor." The court declared that, "a single discriminatory act in a place of public accommodation may violate WLAD." Whether the employee involved with the illegal conduct is a supervisor or a front-line employee has no bearing on liability.

As for Group Health's argument that the discrimination claim should be viewed within the context of employment discrimination rather than the context of public accommodations, the court contrasted the elements that must be proven to make a prima facie case of discrimination under the WLAD versus the burden of proof required within the employment discrimination context. The court also opined that employment discrimination claims were treated differently from public accommodation discrimination claims, "because WLAD treats them differently." The court further articulated that Floeting's claim was, "more of a consumer claim than a claim between an employee and employer, and his claim is not limited by the

employment discrimination statute."

The court referenced *Black's Law Dictionary's* definition of "strict liability" as liability, "that does not depend on proof of negligence or intent to do harm but that is based instead on a duty to compensate the harms proximately caused by the activity or behavior subject to the liability rule." Some of the most striking language within the court's decision includes that an employer will be liable, "if its employee caused the harm prohibited by statute, even if it did not participate in the discrimination and was not negligent in training or supervising its employees."

Takeaway

The recent Washington Supreme Court ruling is one of the many laws dictating the obligation of employers to provide environments that are free from discrimination within the context of both employees and customers. Although specific to Washington, this ruling is particularly noteworthy as an example of an increased employer duty within an era when laws against discrimination are regularly becoming increasingly broad across many jurisdictions. Now, more than ever, business owners and operators must work diligently to prevent and address discrimination within their four walls.

Federal, state, and local laws give rise to the various causes of action available, and jurisdictions vary widely in this regard. Therefore, this article is not intended as legal advice. These comments should be viewed as an educational guide. Consult an attorney for specific direction and applicability within your jurisdiction.



Paul R. Bedard, Esquire

(Paul R. Bedard, Esquire has nearly twenty years of management, leadership and operations experience in the health and fitness industry. As a practicing attorney, Paul's health and fitness industry experience provides him with a unique perspective when advising health clubs regarding employee training, handbooks, policies, contracts, disputes or premises liability claims. When not practicing law or spending quality time with his wife and daughters, Paul strives to be active in his local community. Paul serves as the current Assistant Town Attorney for the Town of Southington, Connecticut and has previously served on the Southington Zoning Board of Appeals and the Board of the Central Connecticut Regional Planning Agency. Paul is also a partner at Sheffy, Mazzaccaro, DePaolo & DeNigris, LLP, in Southington, Connecticut. Paul can be reached at pbedard@smddl.com or 860-620-9460 x109.)

Make It Fun!

What's Your Reputation?

By: **Derek Barton**

Publisher's Note: I wanted to comment on Derek Barton's article before you read his thoughts on reputation and why having a good reputation for your club in your community is crucial to the short- and long-term success of your club(s). My comment here is principally targeted to our NEW

readers of *Club Insider* because those of you who've been with us for our first 26 years of publication already know what happened in our industry 30 or 40 years ago. But, even if you've been reading *Club Insider* for years now, I believe you will find great value in Derek's article.

Importantly, however, this **Publisher's Note** is to help those who're new

to our industry know and understand that the health and fitness club industry you're in now has dramatically changed, and it's vastly different from the industry we had years ago when it comes to ethics in day-to-day operations.

Years ago, there were people whom I described back then as crooks... I will not state their names in this writing, but those misguided people in our industry were not only damaging their own reputations with their unethical and illegal activities (such as bait and switch advertising, just to name one of their tricks), **they were damaging the REPUTATION of OUR ENTIRE INDUSTRY.**

In 1993, I set out on a trip to Chicago for our **Faust Roundtable #1**, a group that our friend, Rick Caro had assembled. There, I intended to present the idea that I was going to create a new business that would be operated in my home so I could simultaneously be a "Mr. Mom" for my son, Justin, who at the time, was eight years old. My wife, Ilena, and I had built a 6,500 square-foot antique store for her. She was there virtually every day, meaning that, if I continued in the club business, Justin would have been home alone after school every day, and we didn't want that to happen. So, in Chicago, at the Faust Roundtable #1 meeting, I had a flip chart and a magic marker, and I told the group that I wanted to start a home-based business that would be helpful to everybody who owned and operated health and fitness clubs.

To make a long story short (which I know is a horse already out of the barn), I came away from that meeting in Chicago with the idea of creating a unique and special newspaper for our industry. Three months later, in Del Mar California, at another Roundtable #1 meeting, our good friends, the **late Curt Beusman** and his lovely wife, **Jane**, named this new venture. There were 14 people in the room, and at the same time, nine of them were throwing out ideas for a name for this new industry newspaper when Curt said, "**Insider. No... Club Insider... No! The Club Insider News!**" I screamed, "**That's it!**" **And, it was! Now, 26 years later, Club Insider** has published 303 monthly editions, including this one. And, to tell you the very honest truth, I truly believe that *Club Insider* has achieved a lot in the realm of helping our great industry to police and improve itself and to get rid of the crooks who had previously been damaging our great industry with their illegal and unethical activities. Thus, this article by Derek Barton truly rings my bell, and I'm very happy to present his excellent thoughts to you all here today.



Derek Barton



My good friend, Derek Barton, wrote:

Recently, I attended a funeral service for a friend's father. As I sat in the pew listening to the eulogies, I couldn't help comparing their reflections with what I thought of Fred. I didn't know him as well as the family members, but it seemed we had all arrived at the same conclusion: his reputation was that of a good and honorable man.

As I have written before in this great publication, we all have a story, whether it be our personal story or our business story. We also have a personal reputation and a business reputation. I like knowing both stories and both reputations. That information helps me better understand or connect to that person or business. I think most people feel this way.

But, we don't always know everybody's story, do we? If we did, we would understand them better, maybe appreciate them more, maybe respect them more and even love them more. I wish I knew Fred's story when he was alive. I would have loved to have sat and had drinks with him while he told his amazing story.

Not everyone shares their own personal story for whatever reason, but in business, it is imperative that EVERYONE knows your company's story! Your success depends on how well you tell it through your marketing, not just what you do and how you do it, but WHY you do it.

We all make judgments based on what we know or don't know about a person and a company. It's human nature. If you make up a false story, people may buy into it for the moment. But, once they find out the truth, your credibility is tarnished, and you will lose the majority of peoples' trust, possibly forever. Bottom line, tell your

(See *Derek Barton Page 21*)

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...Derek Barton

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story honestly. Be transparent. Always do the right thing. You and your company's reputations are important and will determine your success in the long run.

After my parents died a number of years ago, I put many of their things in storage. I recently cleaned out that storage unit and found myself going through dozens of family photo albums that my mother had put together through the decades. Looking at all those pictures and reading a lot of news articles about my family and relatives and the good reputations they had as hotel owners, criminal interrogators, attorneys, golf and tennis pros, social workers and mayors, made me appreciate them even more.

I found a letter from my mother that she wrote to me and my two younger brothers back in 1991. This was at the time she wanted to retire after three terms as Mayor of Burlingame in Northern California. Nobody wanted her to retire because she had done so much for the city. Talk about a great reputation. Mom thought it was time for her to step down and give someone else a chance to step up and bring a new perspective to the city. At the end of this

profound and heartfelt letter to her three sons, she finished with a P.S., which read, "I wish I could leave you with a perfect world. I can't. I only pray each of you stand for justice and truth."

I've always tried to stand for justice and truth in both my personal and business life. It's a blessing to have friends and clients who feel the same way, like **Norm Cates**. I have known Norm since he started **Club Insider**, and his reputation for telling the truth has been the reason his publication has thrived for 26 years. Since my mother worked at a newspaper after she retired as Mayor, I gave her a copy of **Club Insider** to read. Not even knowing Norm, she could pick out from his "*Norm's Notes*" that he was about justice and truth.

During the 20 years I was the head of marketing for Gold's Gym International, I had the pleasure of working with many like-minded franchisees who later became great friends. When I was to meet the prospective franchisees at our corporate office, I would always ask the Franchising Department about them. I wanted to know their story and reputation.

I remember my first meeting with **Gordon Johnson**, a gym owner from Georgia who had three clubs and whose team wanted him to join the Gold's Gym

family. His reputation was that of a good gym operator and a good man who had proudly served in the Marines. I liked him before we even met. We hit it off right away and are still friends to this day. I remember that first meeting back in the '90s like it was yesterday when he candidly said he was worried about converting the name of his clubs to Gold's Gym, wondering if this move would scare away his existing members. He asked me for my marketing advice. Since I knew Gordon's personal and company reputations were well-respected in his community, my advice to him was a no-brainer. I said, "Everyone loves you, your team and your gyms, so when you put up the new name on your clubs, advertise

the truth, "*SAME GREAT MANAGEMENT TEAM, JUST A BIGGER AND BETTER NAME. YESTERDAY, YOU HAD THREE GYMS TO WORK OUT IN, NOW YOU HAVE OVER 500.*" Gordon Johnson is still successful to this day because his reputation of honesty and integrity has not wavered.

In over three decades of marketing in the fitness industry, I have learned that it's not enough to just build a great health club. You also have to build a great reputation.

(Derek Barton is CEO of Barton Productions, and he can be reached at derek@bartonproductions.com.)

Make It Fun!

Flex Your Social Media Muscle

By: **Nancy Trent**

Some brands thrive on social media, while others consider it a necessary evil. Those brands that do social media as a chore are doing what we call “check-the-box” social media. They need to start engaging, genuinely, to thrive in today’s competitive marketplace.

Social media supports the

human need for social interaction. It has the ability to take a message from dozens to millions. That’s power! It is the democratization of knowledge and information. At its best, it can transform consumers into actual journalists and producers for your brand.

Facebook, Twitter, Instagram and Pinterest are all platforms to build your reputation and increase your odds of being

discovered by the masses. Use them to network and learn. Here is how:

The Art of Research: In a culture where instant gratification is in demand, we often make the mistake of running with our impulses. Response time on social media is fast so you need to be more prepared and methodical before you start. Like traditional marketing, disseminating a message is only effective once you know your audience. See what they look like, hear what they sound like and explore what they like before you reach out to them.

Linking to Followers: If you know who your customers are and who influences your customer, you know who you should be following. Now how do you get to them? Put social and share buttons on everything you do so that people know how to find you on the platforms they check. Add it to the website, packaging, business cards, email signatures, blog posts, ads and press releases. Actively find new followers by searching similar social media handles and inviting like-minded people to join your community. Tell interesting stories, host contests, and offer giveaways and other incentives to get people to want to hear more of what you have to say. Give people consistent, quality content that keeps them informed and entertained and motivated to come back for more.

Mirror Your Marketing: Remember that social media is an extension of your traditional media messaging. Know what has worked for your brand in the past and stick to it to maintain a successful track record. Make sure that your social media department not only understands digital communications but understands your brand.

Find Your Social Media Halo: Managing your online presence is most effectively done once you have established your offline message. Develop a voice and express it effectively on your social media platforms and stay true to it. Authenticity is key!

Finding Ways to Relate: Attracting the right followers is important, but engaging your following is paramount. Encourage interaction and drive conversations, for example: Challenge yourself! Visit FitCity for our new selection of boot camps. VS. What is your best workout? Share a tip or photo with us #FitCity VS. What do you love more, shopping for boots or your favorite boot camp workout? Tell us what you love most about your boot camp habit, and we will send the winner a pair of really sexy black boots!

Effective Posting: Play around with



Nancy Trent

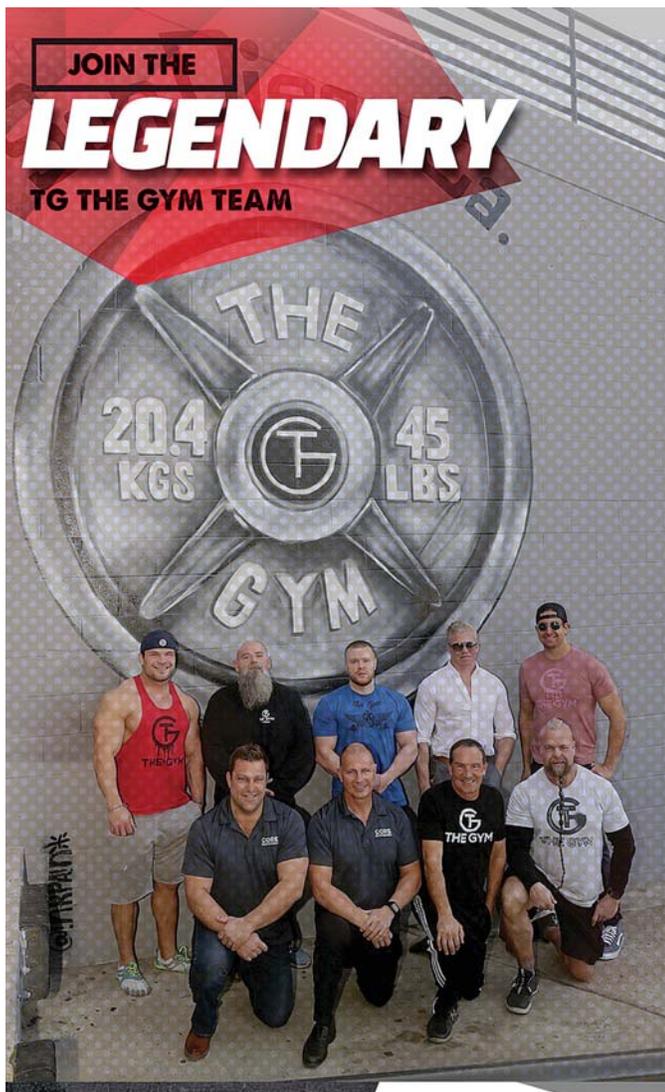
different types of content to determine what will work. People love sharing their opinion, so polling your audience on a regular basis will keep them engaged. People are voyeurs by nature, so give them a snapshot of your day to keep them intrigued. People want free expertise, so share insider tips and tricks, and they will find value in your posts. People want to be recognized, so give fan or customer “shout outs” as much as possible to stroke the ego. People are interested in what other people are talking about, so piggyback on what’s already trending to feed them more.

Use Your Tentacles: Celebrities, experts, micro-celebs, journalists and mavens are all enthusiasts who can spread your message further with a third-party endorsement that is as easy as hitting “like.” You can find ways to connect with influencers, online and off, but however you reach them, you will have to appeal to their hearts and minds even if you have a budget for endorsements. People don’t buy into endorsement deals that aren’t backed by passion.

Attracting Endorsers: You can wait around for unsolicited endorsements, but you are better off asking for them. Every satisfied customer should be incentivized to share an experience online. Invite new people to experience your services, treatments and products in exchange for a public review.

Controlling the Conversation: People check into social for entertainment. They check their social media platforms in their spare time or when they want a break. Be there to amuse them, and they will come back for more. They also check in for engagement. They want to be heard. They want to see that someone is listening and responding to what they have to say. They want information. They want to be a part of the buzz. What is everyone talking about? What are the most

(See **Nancy Trent** Page 23)



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...Nancy Trent

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popular hashtags? How can you get in the conversation? How can you involve them in your conversation? They are not checking social media to be sold to, lectured or bored, so if you have a promotion, you need to wrap it up as a gift for them. Using avenues for self-promotion can be effective, so it pays to be strategic and play on each avenue's strengths. You're working in real time. In days, hours, even minutes, information can become outdated. If you meant to comment on a new trend or news story, but you've missed the boat, skip it. Interaction is valuable, but don't confuse it with bothering people or seeming too dependent on specific relationships. Every social media channel has an audience, so you're often interacting with multiple people, even if you've only sent a message to one.

What else to be prepared for this year:
Likes may boost your ego but shares boost your popularity - Interactions, meaning liking, sharing and commenting, are the holy grail of social media. Likes may be easier to gain, but shares are what you are really after and what is needed to go viral.

Visuals trump words - Find the right image for your words because original written content gets more response with a visual component. Expect for this to keep evolving.

Real Time Engagement (RTE) - Dialing a phone number for customer service is a pain that no one wants to deal with, which is why turning to social media for questions and concerns has skyrocketed. Asking companies for help through social media continues to grow as more customers want real-time engagement. This term will increasingly be more of a staple in any business-to-customer (B2C) strategy. While the majority of consumers expect responses during regular business hours, after hours and on weekends, an increasing number expect to hear back within 30 to 60 minutes tops.

Go live - Live streaming and stories are increasingly preferred. It builds trust, creates connections and is fun!

Fan duds - The people who love you most probably aren't as loved as you'd like. According to the social monitoring website Mention, 91% of mentions come from people with fewer than 500 followers.

Timing - Early morning, late night, weekends, Fridays, Sundays. It's not a gamble. It's a stat! People check social in their free time, so be there when they are.

Social media's effect on your rank - Together, social and search engine optimization (SEO) can influence sales. Social alone won't, and you have to make your social work for your SEO through post optimization, earned followers (not bought), diverse content and more.

(Nancy Trent is a writer and speaker, a lifelong health and beauty advocate, a globe-trotting trend watcher and the Founder and President of Trent & Company, a New York-based marketing communications

firm with an office in Los Angeles. Trent & Company, which launched many health and beauty brands, grew out of Nancy's personal and passionate commitment to helping people live longer and healthier lives. A former journalist for New York Magazine, Nancy has written seven books on healthy lifestyles, serves on the editorial boards of several magazines and travels around the world speaking at conferences and trade shows on trends in the marketplace. She is a recognized expert in PR with more than 30 years of experience creating and managing highly successful campaigns. Nancy can be reached by phone at 212-966-0024 or by email at nancy@trentandcompany.com. You may also visit www.trentandcompany.com.)

Make It Fun!

Does Your Gym Have a Club Concierge? How to Maintain a Healthy Retention Rate

By: **Jim Thomas**

Club Concierge. That's my term for a *Retention Manager*. Depending on the facility, this could be a shared position, or if payroll and activity will warrant it, this could be a full-time person.

Before I get into a strategy, please

consider the following:

1. Bain and Company research shows that increasing customer retention rates by 5% increases profits anywhere from 25% to 95%.
2. Temkin Group research shows moderate improvements in customer experience can

generate an average revenue increase of 28% each year over a three-year period.

3. In my experience, I have seen annual attrition as high as 75% and the normal being in the 40% - 50% range. In many cases, gyms are losing half their member base every year. This puts enormous pressure on creating new membership sales.

4. I recently conducted a nationwide webinar, and most on the call acknowledged not having a defined retention strategy.

Club Concierge Job Description

The entire focus here is to reduce the member attrition percentages by nurturing new and existing members to use the gym more frequently. I'm defining nurture as helping to maintain interest and desire. The focus here is to entertain, educate, motivate, inspire and incentivize usage by using all forms of member communication (not just one source).

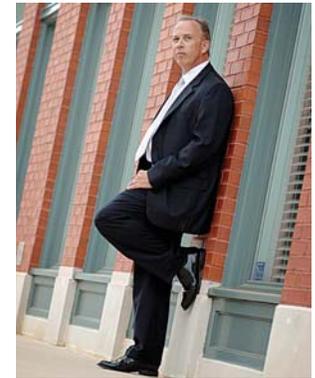
Here are some tips to help improve your member retention (with a club concierge):

1. **It all starts with how you sell.** If you sell based on features and price, you're setting yourself up for trouble. The key to successful selling is to solve problems for people. Identify what problem they have and how you can solve it. You will have set the proper foundation.

2. **Are you asking for a commitment?** I see many gyms running ads that say, "Join now - no commitment." My question is this: When is the last time someone got results at anything without making a commitment? Learn how to sell the benefits of term agreements.

3. **Do you monitor member usage?** This number can vary depending on the amount you charge. But generally, we want our opening person to run a report each morning of people who have used the gym four times or less in the last 30 days. We know these will be potential problems down the road and want to be proactive in our approach, not reactive.

4. **Nurturing your new members.** This will help make a world of difference. We want the new members to use the gym. The goal is to get them to use the facility 20 times during the first 60 days. We want to motivate, educate, inspire, incentivize and use all means to do it when it comes to connecting with the new member. Establish



Jim Thomas

the habit of regular usage right off the bat.

5. **Ongoing member nurturing.** Here's something I hear all too frequently in gyms; owners don't want to contact existing members because they might remind them that they are still a member and will want to cancel. Of course, that's not the ideal business model and one that needs to change. In the end, you want to have contact with your members monthly. There are just too many ways to do this for it not to be done.

6. **Entertainment business.** Don't forget this; treat this like the entertainment business. Work to keep people entertained and having FUN. If they have FUN, are entertained in the process and keep showing up, they will get results.

This will get you started on a successful strategy. Incentivize your Club Concierge on member usage and retention percentage, it will be well worth it. It will be like having a second sales manager, only not as expensive.

Now, go retain your members!

(An outsourced CEO, 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 size. Thomas lectures and delivers seminars, webinars and workshops across the globe on the practical skills required to successfully 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. Visit his websites at www.fmconsulting.net or www.jimthomasondemand.com.)



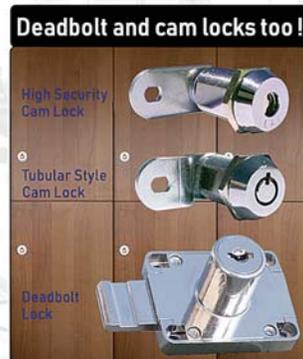
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The Biggest Lead Generation

By: **Michael Gelfgot**

If you were to take an inventory of where the majority of your membership and personal training traffic is coming from, what would you say the number one source of lead generation might be? If you aren't screaming out the words, "**Buddy Referrals**," then you have a problem. But, troubleshooting this problem might be easier than you think. Here are a couple of questions to consider:

1. Does my sales team know that they need to be asking for referrals?
2. What's a good average per new member/client as far as referrals are concerned?
3. Is my team skilled? In other words, do they have a script to follow?
4. Have we considered what we want to give to a new member/client that's about to join our club/program, such as: An instant gratification? A delayed gratification? Have we considered what we will give to those who provide the referrals to us?

Let's break these questions down and take a deeper look:

Does my sales team know that they need to be asking for referrals?

Plain and simple, is this even part of our sales process? **Side Note:** Do you have a sales process? A process has steps that, when followed, yield better outcomes than just shooting from the hip. In her book, *Selling Fitness and Selling Personal Training*, Casey Conrad outlines a membership sales process and a personal training sales process.

Let's say you have a sales process to follow. When is a good time to ask for referrals? According to sales experts, the best time to ask for a referral is as soon as the prospect has decided which membership/program he is going to do and he has decided how much he is going to put down. Before you fill out or type in any information, you would go into your buddy referral script.

What's a good average per new member/client as far as referrals are concerned?

Ultimately, if you can average five referrals per new member, you are doing really well. As we all know, the best comparison isn't always what someone else is doing. The best comparison is when you compare you to you. So, if you are improving over time, that's what matters most. If you are getting zero referrals now, begin with averaging one referral per new member. Over time, slowly increase your expectations.

Is my team skilled? In other words, do

they have a script to follow?

If your goal is to sell 28 new memberships and you use the previous advice, one referral per new member, it means that, at the end of the week, you should have seven referrals. Say you have two, what might be the problem? There could be one of two problems that would need to be addressed:

1. Are your sales people asking for referrals?
2. What does their pitch sound like?

Your pitch should sound very passionate because this is the best way that you know to spread the word about fitness, meaning sharing it through people that already like and trust you (because they just joined your facility). You are a missionary, and you LOVE to talk and educate folks on living a healthier lifestyle. You are looking for people with whom to share your knowledge, expertise and passion. Your pitch should also sound very exclusive, meaning that only a certain amount of one's friends would have the ability to be on the VIP guest list that gives them very special access to your facility. This only sounds like fluff if you give everyone this sort of access. Figure out ways to make it special and exclusive.

Have we considered what we want to give to a new member/client who is about to join our club/program?

When thinking about giving stuff to your brand new members, you need to consider this: What would my sales people be really excited about giving away? The people you need to excite here are not your prospects. Let's face it, if your sales people are excited about giving something away, pure enthusiasm will sell it, whatever it may be, any day of the week. Often times, most salespeople don't like to ask another thing from a prospect that just agreed to buy because they don't want to lose the sale. What if we could flip the script from a salesperson's perspective by helping them get excited about giving something away vs. getting something from someone? There are three parts to consider:

1. **Instant gratification for the new member.** As soon as the new member provides you with three names and phone numbers, they should get a \$10 gift card for an establishment somewhere in your town that they would like to go. That's \$3.33 for one of the hottest leads you are going to get.
2. **Long-term gratification for the new member.** As soon as any one of my referrals actually join the club, I should get something that's at least 2 - 10 times the

value of a single month membership. So, if you're selling a membership where the average rate is \$40 per month, maybe your new member should get 30 days of unlimited personal training in a semi private or private setting. If you are selling a personal training program where your average rate is \$200 per month, maybe your new client gets two months of semi private or 1-on-1 bonus sessions. The question you want to ask yourself is: What am I willing to give away if I get a new member or a new training client from each of my new members or clients?

3. **Something special to give to the friends who are getting referred.** What are you willing to give to a friend of a new member or a personal training client? It's okay to give them the world, meaning the best of what you've got, for a short period of time. Something to note here: whatever these referrals experience, that's what they will buy.

In conclusion, buddy referrals



Michael Gelfgot

at point of sale are the fastest way you're going to grow your fitness business. In this hyper competitive market, this should be the number one source of lead generation.

(Michael Gelfgot is a veteran Anytime Fitness owner/operator and he can be reached at mike.gelfgot@icloud.com.)

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Zeamo Announces Vendor Relationship With ABC Financial

NEW YORK, N.Y. - Zeamo, the New York City-based Health Club aggregator that reaches over 40 million full-time employed workers, announces the new relationship with ABC Financial allowing Zeamo to integrate with ABC Financial's software to ensure users quick and easy access to mutual health club partners, while simultaneously removing added work from front desk staff.

ABC Financial Services is a leading provider of health and fitness club management software, reducing delinquencies, improving collections and creating a better member experience. Zeamo is the digital platform of currently over 1,000 health clubs, ensuring ease of

access to users of gyms in more than 45 US cities and 16 international hubs around the world and is rapidly becoming the Expedia of the health and fitness club industry. The partnership allows Zeamo's users to access the gyms who work with both ABC and Zeamo with a digital-scannable pass, ensuring a frictionless workout for all.

Rick Caro, *Advisory Board Member of Zeamo* commented, "Zeamo is at the cutting edge of the industry, providing health clubs with a no-risk solution to attracting paid guests who will come to clubs with no investment in marketing by the clubs themselves. Some will convert to membership, but all will pay proper guest fees. The mobile app uses powerful

technology and creates a seamless process for the club and the front desk attendant. This is a classic win-win opportunity for the club and the guest."

"I am thrilled with the progress we have made at Zeamo. This partnership with ABC is the first of many that we have in the works to make the experience seamless for all users. Our digital pass is useable by all clubs, with this integration with ABC highlighting the next stage of evolution. We are generating new traffic for our club partners, that would not otherwise happen, resulting in additional revenue and memberships, underscoring the added value a partnership with us brings to the clubs," said **Mark Smith**, *Advisory Board*

Member of Zeamo and former CEO of 24 Hour Fitness.

Paul O'Reilly-Hyland, *CEO and Founder of Zeamo*, said "Our goal at Zeamo is to bring extra revenue streams to The Gym Industry by helping interested parties access the facilities easily and smartly, essentially being a marketing partner for the health clubs around the nation and the world. Working with ABC Financial Services our users can easily connect with all of our ABC gym partners with their mobile devices through the Zeamo app. We are delighted to partner with ABC, clearly an industry leader."

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Thanks and Appreciation

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

A very sincere **Thanks and Appreciation** go to **Rick Caro**, **Dr. Gerry Faust** and the **Faust Executive Roundtable #1** for helping me decide in 1993 what my home-based business would be. **Thanks and Appreciation** to my long-time friends, **Ron Hudspeth** and **Cathy Miller** of **Atlanta's Hudspeth Report** for the tremendous assistance they provided us during our *first eight years of publication*. **Thanks and Appreciation** to all of the folks at **Walton Press** in Monroe, Georgia. They've done an absolutely excellent job for us all these years and have printed every one of our **303** monthly editions! **Thanks and Appreciation** to all of our **READERS**. Sincere **Thanks and Appreciation** to our **Club Insider Advertisers**, past and present, for their kind and dedicated support of this publication. It's amazing to know that we have several advertisers with over a decade of continuous advertising with us. We also want to say sincere **Thanks and Appreciation** to all of our **Club Insider Contributing Authors**, past and present, who've contributed *thousands* of excellent articles to help our readers with their Best Business Practices. **Thanks and Appreciation** to **IHRSA** for all it does.

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

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

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

Norm Cates, Jr.

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Mike's Story...

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