

Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry



Ben Midgley (left front kneeling) Next to Craig Pepin-Donat, With Crunch Franchisees at the 2014 Crunch Franchisee Convention, Held in Kennebunkport, Maine, July 14-15, 2014



Ben Midgley, President of Crunch Franchising



**Crunch Franchising Leader Ben Midgley
Defines The Advantages of The Crunch Brand**

JULY 2014

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Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry

Crunch Franchising Leader Ben Midgley Defines The Advantages of The Crunch Brand

By: Norm Cates

Ben Midgley, 44, is a 20+ year club business veteran who has enjoyed an exceptional career that was accelerated significantly when he was honored with IHRSA's 1995 Sales Person of the Year Award. Ben was featured on the front page of our **December 1995 Edition** of **CLUB INSIDER** shortly after Midgley had received the IHRSA Award on December 9, 1995 at IHRSA's 10th Annual Sales, Marketing and Programming Conference held in Atlanta, Georgia. At the time, Ben was employed by Scott Gillespie at his Saco Sports and Fitness Center in Saco, Maine. Given that Saco, Maine was a small town with a population of 12,000 and a marketplace of 40,000 people, this honor is clearly the story of a small town boy making it big in his chosen industry.

Ben Midgley is a bright and focused guy who set a goal and prepared himself to attain that goal. He told his boss, Scott Gillespie, "My goal is to win IHRSA's Sales Person of the Year Award," and he did. He began his career as a part-time personal trainer and worked his way into a job as a part-time sales representative. He was then promoted to the job of Fitness Director. After that, he was promoted to the role of Fitness Director and Corporate Membership Director. Ben has proceeded to carve out an excellent career since then, and he's not let up yet. He has spent the past four years creating, developing and growing the Crunch Fitness Franchising organization to 70 operational locations with many more in the pipeline.

Seven Factors to Achieve Success in Health Club Membership Sales

Midgley attributed his success

then, including, the IHRSA Honor, to seven factors, not to mention the important factor that the club had recently been totally rebuilt from the ground up after it had burned to the ground. The following seven factors, as reported in our **December 1995 Edition** of **CLUB INSIDER**, are thoughts and attributes that any health club membership sales person in the world can benefit from learning and using, until this day, and they were and are:

1. He believes that sales should not be about tricks.
2. A first visit close on sales is not his primary goal.
3. He believes that his job is to be there for prospective members to inform them about the club and to help them make the correct buying decision.
4. He believes that the "key" to membership sales for him is that he "builds relationships" with every prospect during his sales effort and post-sales follow-up.
5. Midgley says, "I treat all of them, both prospects and members alike, as the good people that they are."
6. Referrals are the key to Ben Midgley's business. He commented in 1995: "I don't have to pick up the phone anymore. I have people walking in, calling in, and I have even sold memberships to people who have approached me while I'm out in the community."
7. Midgley's focus is to treat everyone as well as possible.

And, it doesn't hurt that Ben Midgley is a tall, dark, handsome and athletic dude! **CLUB INSIDER** is very pleased to present this in-depth cover story interview with Ben Midgley, President of Crunch Fitness Franchising.



An Interview With Crunch Fitness Franchising President, Ben Midgley

CLUB INSIDER (C.I.) - Ben, let's start this cover story interview with a flash back in time... Let's go back to 1995 when IHRSA honored you with its **Top Sales Person of the Year Award**. You received that honor here in Atlanta on December 9th, 1995 at IHRSA's 10th Annual Sales, Marketing and Programming Convention. So, my question is: how has IHRSA honoring you as its 1995 IHRSA Sales Person of the Year influenced or changed your life over the years?

Ben Midgley (BM) - The first thing that happened was that I got a cover story with you. Then, I was on *CBI's* cover later on. I think the honor provided a lot of good attention to a young guy in the industry. It was great to get this national

exposure. That got me started writing for various industry publications, speaking at NEHRSA, MACMA and IHRSA many times, and I wrote quite a few articles for *CBI* and *CLUB INSIDER*. I also wrote for Jim Smith's *Peak Performance Newsletter* and for a few Canadian magazines. I got more exposure through those efforts.

Ultimately, that was what got me recruited by 24 Hour Fitness. I was reading an article by Craig Pepin-Donat who had written that he thought that I was one of the best sales trainers in the industry. So, I just wrote him a Thank You note thanking him for putting my name in his article. A couple of weeks later, I was out in California visiting with 24 Hour Fitness thinking that was where my next career move should be. That's what got me connected with Mark Mastrov and Jim Rowley out there, and (See *Crunch Franchising* Page 10)

Inside The Insider

- Five Keys To Successful Gym Ownership - **By:** Jim Thomas
- Leverage Q3 For A Strong Q4 - **By:** Deneen Laprade
- Develop A Cultural Shift in Employee Wellness - **By:** Robin Schuette
- The Anatomy of a Bad Hire - **By:** Dennie Noecker
- Obesity Crisis Accelerates - **By:** Will Phillips
- You Lost Me at Hello... - **By:** Ron Alterio
- Spotting, Sparking and Capitalizing On Fitness Trends - **By:** Nancy Trent
- Determining Cost-Per-Head Benchmarks for Group Fitness Classes - **By:** Laurie Cingle
- Gordon Johnson Inducted Into the Gold's Gym Hall of Fame
- REX Adds Senior Chair With Extensive Sales and Marketing Experience
- Health Benefits of Exercise Report
- And of Course, *Norm's Notes*

Norm's Notes

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

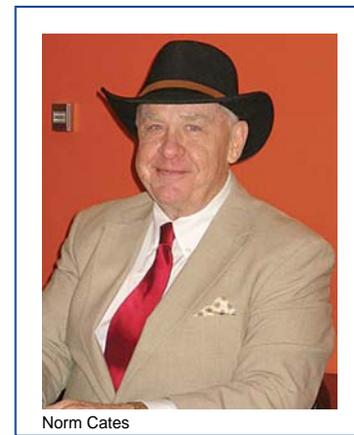
• **Is America a great country, or what?**

• **Speaking of America being a great country,** I was thinking about entrepreneurship in America and CLUB INSIDER, how we created it and how my son, JUSTIN CATES, and I have nurtured and worked very hard together on this publication for these past 21 years. Then, I had the chance to view our CLUB INSIDER Archive Library after Justin finished his marathon project of scanning 10+ years of past issues that had not been done digitally, so that we now have 21 years of archived CLUB INSIDER editions online. Our CLUB INSIDER Archive Library, one that I will argue is the world's largest source of health and fitness club information and knowledge, is now available to all of our PAID SUBSCRIBERS (By the way, we now offer subscriptions for just \$10 per month. Go to www.clubinsideronline.com/subscribe). Our Archive Library is truly like reading a Who's Who in the Health and Fitness Club World List. Our wonderful club industry is truly all about people, people who create, build and work in clubs serving people who come to their clubs. So, in honor of many of the people who create, build and work in clubs I've gone through all 21 years of archived editions and have produced an amazing list of the people who have appeared on our CLUB INSIDER covers over the years. I will add, however, *that for sure, we're NOT DONE YET!* If you feel your story really should be featured on the cover of CLUB INSIDER some day, then give me a phone call at (770) 635 - 7578. Give me a little preview of your story, provide me with your email address, and we can talk. Or, if you're not a phone call person, or are pressed for time to make a call right now, just pop me an email at Norm@clubinsideronline.com, and we will talk about featuring your story.

• **In honor of the great people who have graced our CLUB INSIDER covers over the past 21 years,** I've listed the names of our cover subjects in the chronological order of their appearance. Very few people have appeared on our cover more than once, and in those cases where someone has been on our cover more than once, you will see their named listed only once unless they were featured with someone else. Read on and enjoy seeing what's a pretty impressive list of the Who's Who of the Health and Fitness Club World. The list of our cover subjects over the past 21 years, (remember

this is in chronological order), includes: RED LERILLE, JOHN McCARTHY, TONY deLEEDE, RUTH STRICKER, MIKE CHAET, RICK CARO, RAY WILSON, BEN MIDGLEY, MARK MASTROV, IVAL McMAMINS, CRAIG PEPIN-DONAT, the late BOB DELMONTEQUE, JOE CIRULLI, MITCH WALD, RAY and SANDY GORDON, SANDY COFFMAN, EDDIE TOCK, DOUG LEVINE, DICK MITCHELL, BARRY BLEUER, the late SCOTT MANION, BRIAN KAPPLER, DEB PITZO, AUGIE NIETO, DAVID "The Big Kahuna" PICKERING, KAREN WOODDARD-CHAVEZ, JIM GERBER, LEE HILLMAN, SPIKE GONZALES, TIM MANSOUR, LARRY GURNEY, MARK SMITH, DEAN WALLACE, MARK EISENZIMMER, JENNIFER HARDING, CHUCK RICHARDS, JACK TAWNEY, KAREN GERHART, RANDY HUBER, WAYNE WESTWOOD, JIM KUSNERIK, STEVE SHAPIRO, DALE PULLEN, DON KONZ, the late ROBERT DEDMAN, Jr., RON and SANDY FRANCO, GEOFF DYER, CARL PORTER, ROGER and ELAINE RALPH, JIM FLANAGAN, TODD and FAITH PULIS, JERRY EVANS, BONNIE PATRICK MATTALIAN, LIZ NEOPERENT, HANNAH KARASS, BOB and MARY BETH PROVOST, JUDI SHEPPARD MISSET, LOU OFF, JERRY ALLES, JILL STEVENS-KINNEY, BAHRAM AKRADI, GORDON JOHNSON and the Gold's Gym Board, MICHAEL LEVY, JAY KELL, KIRK and JOHN GALIANI, ED CONNORS, JEFF SKEEN, FRANK NAPOLITANO, CECIL SPEARMAN, the late JACK LaLANNE, LYLE SCHULER, GLENN COLAROSSO, CASEY CONRAD, DAVID PATCHELL-EVANS, the late DALE "Mr. Enthusiasm" DIBBLE, JOE "The Gladiator" MOORE, TIM, LIZ and P.J. RHODE, ROY SIMONSON, ED WILLIAMS, Dr. ART CURTIS, MIKE MINTON, MIKE MOTTA, PATRICIA LAUS, KEN GERMANO, STEVE THARRETT, RUDY and VIRGINIA SMITH, JUSTIN and NORM CATES, ALAN and STEVEN SCHWARTZ, JERRY NOYCE and Health Fitness Team, THOMAS PLUMMER, GALE LANDERS, HAZEL GITLITZ, CLIVE CALDWELL, BILL PEARL, DAVID LAHAIT, TOM BEHAN, ANDREW EKER, KARL DROPPERS, MATT CARLEN and the RDV Sportsplex Team, RICK DEVEREUX, JUSTIN CATES, Astronaut JIM LOVELL, MIKE URETZ, ARNOLD SCHWARZENEGGER, the

late JOE GOLD, JIM SMITH, MICHAEL SCOTT SCUDDER, SKIPP JOHNSON, TOM BUTLER, LESLIE AUSTIN, OLIVE MAE DIBBLE, RICK CARO and NYC Mayor RUDY GIULIANI, DON SHULA, BILL HIGGS, the late JULIE MAIN, MICHAEL METCALF, JIM McGOLDRICK, MARIO BRAVOMALO, DARON "Rocketman" ALLEN, DEAN KATCHEL, JAMES TRISLER, STEVE RHODES and Paramount Fitness Team, ANN and JIM WOOLARD, the late GREG ROWE and his CalFit Team, LAURY HAMMEL and The Longfellow Team, The Augie's Quest Team, PETE KIGHT, JOHN BROWN, SHAWN VINT, DONNA KRECH, COLIN MILNER, TASSO KIRIAKES, former Arkansas Governor MIKE HUCKABEE, FRED ELIAS and the EasyZone Team, CATHY SPENCER-BROWNING, RICH BOGGS, TERRY BROWNING, JIM BOTTIN, HOWARD LERMAN, BRENT DARDEN, EVERETT AABERG and Telos Fitness Team, DENTON SMITH, BILL and JUDY HOUCK and the Brookfield Club Team, CHRIS CROWLEY, NEAL BOORTZ, Dr. HENRY LODGE, MIKE and MARC GRONDAHL, CHRIS RONDEAU, CLIFF BUCHHOLZ, MARIA PARRELLA-TURCO, CHRIS PACIFICO, RAY COASSIN, BILL LEMANSKI, PAT LAUS and the Clubs for Cure Team, JOHN DOYLE and The Belmont Athletic Club Team, WILL PHILLIPS, Dr. DENNIS COOPER, RICK CARO and The IHSA 2008 Financial Panel, BRIAN EVANS and his American Family Fitness Team, GREG LAPPIN, PHIL WENDEL, the late JULIE MAIN, STEVE and BONNIE PFIESTER, HERB LIPSMAN, LLOYD and ROBERTA GAINSBORO, SIMON MEREDITH, JIM WORTHINGTON and the Newtown Athletic Club Team, LINDA FONDREN, Brother CURT BEUSMAN, JOHN MILLER and the Courthouse Athletic Club Fitness Coaches, GLENDA PIQUE, KAY APLIN, KARI CHUPP, STEVE VUCOVICH, BLAIR McHANEY, RICK HOLDER'S Hampshire Hills Club Team, CAROL NALEVANKO and Team, STEVE and SALLY GOLDMAN, RODNEY STEVEN and Family, RICK MAYO, MIKE ARTEAGA, JEFF SKEEN and Team, ROBERT BREWSTER, TERRY DEZZUTTI, MARVIN GREESE, STEPHANIE COULON, LARRY CONNOR, DOUG RIBLEY, STEVE GILMOUR, RALPH RAJS, PATRICK O'BRIAN, JANINE WILLIAMS, CORY FERRARO, ROB GOLDMAN, DAVID von STORCH, GRETA WAGNER, J.P. GREEN, BILL McBRIDE, AUGIE and LYNNE NIETO and Family, and MICHAEL OLANDER.



Norm Cates

If your name belongs on this list, but it was omitted, please contact us immediately. Thanks!

• **Congratulations to FAITH PULIS,** as The Warren Group, in conjunction with Massachusetts Family Business Magazine, the New England Family Business Conference and the Family Business Association, has announced that FAITH PULIS, President and CEO of The Thoreau Club, has been chosen as a 2014 "Outstanding Women of Family Business" recipient. Faith was nominated by Thoreau Club member, SALLY BRADFORD, who is the Marketing and Communications Manager at Hemenway & Barnes. Bradford and Pulis worked together on the Emerson Hospital Auxiliary Board. As an active member of the community of Concord, Massachusetts, The Thoreau Club hosts an annual Run Walk for the hospital that raised over \$50,000 this year. Forging strategic partnerships with local health and wellness businesses is one way Pulis grows her family health club and day camp business and achieves, on average, an astonishing 85 percent customer retention rate. Providing children a quality camp experience and celebrating the outdoors and nature is the foundation that Pulis' grandparents used to start Camp Thoreau in 1951.

• **Congratulations to GORDON JOHNSON,** the owner and operator of three Gold's Gyms in Atlanta's west suburbs, as he's been named for induction into the Gold Gym Hall of Fame! See the Press Release on Page #6.

• **Congratulations to LINDSAY NIETO WILLIAMS;** her new Husband, CHRIS WILLIAMS; and to AUGIE and LYNNE NIETO, after their beautiful July 5th Wedding in which Augie walked Lindsay down the aisle!

(See Norm's Notes Page 7)



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Gordon Johnson Inducted Into the Gold's Gym Hall of Fame

IRVING, TX - Gordon currently serves as Director Emeritus of the Gold's Gym Franchise Association (GGFA) and leads the Gold's Gym Advertising Advisory Council (GGAAC), serving as its Chairman. In addition, he has served on the GGFA Executive Board and on the National Franchise Council.

Gordon owns three Gold's Gym locations in west suburban Atlanta, Georgia. His sons, Skip and Scott, and daughter, Kathy, are actively involved in the leadership of the family business.

In 1984, with his tennis pro son,

Skip, Gordon entered the club business full time. He previously served as an executive of a major wire and cable manufacturer, and first opened a small club as a hobby and a means to play racquetball. Together, the Johnsons launched a multipurpose health club, which was rare at the time. In 1996, he converted his successful club in Douglasville, Georgia to Gold's Gym.

When he joined the Gold's Gym brand, Gordon brought with him extensive executive management experience in business. Also, he has taught senior business classes at college level. A retired

Marine reserve Colonel, Gordon served three years as an officer in the United States Marine Corps after earning his Master's in Chemical Engineering from Georgia Tech, followed by 20 years of active reserve duty.

As a Gold's Gym franchisee, his contributions to his fellow franchisees and to the brand have been endless. He is eager to learn and eager to mentor, as evidenced by forming the first-ever Gold's Gym franchisee alliance in Atlanta. His passion for the brand and the industry is infectious. On a personal level, he's known as kind,

charismatic, openhearted and humble.

A champion of the Gold's Gym brand, Gordon has been recognized previously for his meaningful contributions, including 2010 Visionary of the Year, the 2011 Presidents' Award and the GGFA BRAVO Award presented at the 2013 Owners' Conference.

Gordon was inducted into the Gold's Gym Hall of Fame at the annual Gold's Gym Convention, held in Las Vegas, July 14-16th.

REX Adds Senior Chair With Extensive Sales and Marketing Experience

QUINCY, MA - REX Roundtables for Club Executives, which serves 150 of the world's premier health clubs in its Roundtables has added a new chair, Mary Laudati.

Mary is a fitness industry expert with over 30 years of experience in leading sales teams and membership strategies for some of the leading health club companies in the country.

She has introduced internal innovations relevant to membership sales, marketing, sales training, recruiting, staffing, new technologies and business-to-

business acquisitions.

Mary is a one-time private trainer, fitness and group exercise manager who then started a sales career with the New York Health and Racquet Clubs as a Membership Sales Consultant. Mary then moved to Chelsea Piers as the Director of Sales and drove sales to unprecedented levels, leading a sales effort that added 5,000 memberships within two years. She then worked with the Sports Club Company as the National Sales Trainer and East Coast Regional Sales Manager. In 2006, Mary became the Vice President of Sales

for Millennium Clubs, responsible for maintaining annual membership revenues in excess of \$60 million. Currently, she consults widely to premier clubs in sales, management and marketing.

Mary will chair the REX

Marketing Roundtable and a new club executive Roundtable starting in the Fall of 2014. She will also lead a REX project to deepen our research on developing best practices in sales management for REX members.

Health Benefits of Exercise Report *Surgeon General Says Physical Inactivity The "Major Public Health Issue" in the United States*

WASHINGTON D.C. - Health clubs in the United States and overseas have been working to improve the health of their communities for years. Many health clubs offer a variety of health services to meet their members' needs, including weight loss programs, nutrition education, programs to address chronic disease, and youth activity promotion. Recently, Acting Surgeon General Boris Lushniak put an exclamation point on the importance of physical activity promotion at the American College of Sports Medicine (ACSM) Annual meeting in Orlando.

During a discussion of the impact of physical inactivity on the nation's health,

economy and citizens' wellbeing, Lushniak declared, "physical inactivity is the major public health issue in this country." He went on to highlight the importance of community outreach and prevention, stating, "health and wellness are a national treasure," and "physical activity is one of the most important things a person can do for improved health."

Physical inactivity is the major public health issue in this country, and health clubs have the solution. A safe, convenient, supportive place where people of all levels and backgrounds can pursue a healthy, active life.

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...Norm's Notes

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•This from **JOE MOORE**, **IHRSA's President and CEO**: "Not unlike the millions of health and fitness club members we serve on a daily basis, **AUGIE NIETO** set a goal and accomplished it. Nieto, the co-founder of Life Fitness, who has battled Lou Gehrig's disease for nearly ten years, eyed **July 5, 2014** as the day he would walk 20 feet. But, this wasn't an ordinary 20 feet, it would be by the side of his daughter, Lindsay, down the aisle on her wedding day. Nieto used an aluminum scaffolding device to deliver his daughter to her now-husband. Quite a feat for someone who had lost the use of his arms and legs three years after being diagnosed with ALS nine years ago."

Folks, let me tell you about our efforts to help **Augie's Quest Win The War On ALS. This is an effort that's now 8+ years running**, since it was established by **AUGIE and LYNNE NIETO** to raise money for research to find the **Cure for ALS**, also known as **LOU GEHRIG's Disease**. I'm currently working on an alliance between Augie's Quest and two big events that I produce for the **FUN of it** each year here in Atlanta. The first one is are called **The GREAT Characters of Atlanta Party**. I inherited the event/party from a good buddy, **RON HUDSPETH**, former **Atlanta Journal Constitution** columnist and then

Publisher of The HUDSPETH REPORT some 30 years ago. I took it on 14 years ago after Ron had moved to **Costa Rica**. Later, nine years ago, I created what we call **The LEGENDARY Ladies of Atlanta Party**. The idea has always been to throw these parties just for the **FUN of it**, and that was it. Now, I'm going to figure out how to rally the 500 or so Atlanta area friends and neighbors of mine, who routinely attend for the **FUN of it**, to provide additional financial support for Augie's Quest each year. **Stay tuned Folks**, as I work on this very worthy project. Soon, I'll share with you how you, too, can go about creating these **FUN** events in your community in conjunction with your club's community outreach efforts to also **help Augie's Quest to find the Cure for ALS!**

•**Anytime Fitness has launched its own media company, Anytime Vision**, a new media network that enables marketers and advertisers to target the company's health and fitness focused member base. Check out **anytimevision.com.au**. Anytime Vision's media platforms include digital panels, which are affixed to club walls in both regional and metropolitan locations across the nation's states and territories. The panels are designed to allow brands to target specific locations, demographics and times of day. According to Anytime Vision's General Manager, **ANDREW SNEDDON**, the media network offers a number of other advertising

opportunities. "Through Anytime Vision, our partners are able to communicate with Anytime Fitness members in a meaningful way that adds value to them, our franchisees and members," said Sneddon. He added, "Through a spoke network of digital screens, branded in-club activations, a digital magazine and other media platforms, we can provide unique access to a highly engaged community that we know incredibly well."

•**The IDEA World Fitness Convention** is taking place in Anaheim from **August 13-17, 2014**. Check out **www.idealife.com/world**.

•**Word I get out of Little Rock, Arkansas** is that *often correctly described as shady health club operator SHANE FRANKLIN* has planted himself there to run the presale for two new clubs. Franklin spottings, with bad news, have been scarce for the past couple of years, and I hope it stays that way. Frankly, I've been very happy about that. The last spotting of Franklin was in **Indiana**, and he has apparently now departed from that territory. It's my sincere hope that I don't start getting new reports out of Little Rock on Franklin doing anything that's against the law or unethical, so **Stay Tuned!**

One thing I'm going to do is contact the **Arkansas Consumer Affairs Office** to find out what their presales and other health club laws are, and then, I'll figure out a way to see if those laws are being lived up to by

Shane Franklin in this presale. Fortunately, I have the benefit of having done a Cover Story on former **Arkansas Governor MIKE HUCKABEE**, and I'm going to reach out to him to **find out who the Bossman at the Consumer Affairs Office is so I can follow up with him to be sure Franklin is complying with all applicable laws and codes**. The fact is, **on your behalf America**, no matter where you live or work, I must do the reporting that I must do, and I will do it to help protect the reputation and the most valuable asset all of us have: **TRUST**. So, **IF** you're in Little Rock and know anything that you think that I need to know about Franklin's current activities at this presale (or even his past antics), fire away and I'll be on the story like a dog on a porkchop. Email me at **Norm@clubinsideronline.com**.

•**The upscale and long-running Vinings Club** in the Northwest Atlanta has closed. **Managing Director, HAROLD DRENNON**, was reported in the **Atlanta Journal Constitution** to have said, "There were other options considered and looked at, and none of those came together. The club's just not got the revenues it needs to sustain."

•**Save the Dates of March 11-15th** for the **34th Annual IHRSA Convention and Trade Show**, to be held again in **Los Angeles!** Go to **www.ihrsa.org/convention** for information. See you there!

•Former **IHRSA Director of Convention Sales, CHUCK LEVE**, informed me that **The Association of Fitness Studios (AFS)** and **Club Industry (CI)**, a division of Penton Media, have announced a strategic collaboration and special relationship designed to provide additional value to both parties' constituencies. Pursuant to this new relationship, AFS will present a track of seminars at the **Club Industry Show** in Chicago. **Stay Tuned!**

•Speaking of **Club Industry Chicago**, it is coming **October 22-24th**. Visit us at **Booth #631**, and check out our **Advertisers Exhibiting at Club Industry 2014**:

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•**Thanks to my old friend, RON MILLER**, of Jonesboro, Arkansas, a highly decorated helicopter pilot during the **Vietnam War**, who recently sent me a write-up about the **great things the Ping Golf Club Company is doing for our wounded war veterans**. His memo to me shared a recent experience he had when he came across a wounded war veteran who had spent 15 months in the army rehabilitation hospital at Fort Sam Houston, (See Norm's Notes Page 8)

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...Norm's Notes

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in San Antonio, Texas. While playing golf with a wounded war veteran, Ron noticed that his golf bag had "Wounded War Veterans" inscribed on it. When Ron inquired about that, the soldier said that, when he was about to be discharged from the hospital, officials from the Ping Golf Club Company came in and provided three days of golf instruction, followed by club fitting for a brand new set of Ping Golf Clubs. Upon discharge from the hospital, Ping gives each of the discharged veterans a brand new set of custom fitted Ping Golf Clubs along with the impressive

golf bags. I, for one, want to say **Thanks to Ping** for giving many of our wounded soldiers something that will help them adjust to life after their injuries. My friend Ron, wrote, "The fellow I met was named **BEN WOODS**, and he looked me in the eye and said that being fitted for those clubs was one of the best things that ever happened to him, and he was determined to learn to play golf well enough to deserve the gift Ping had given him. Ben is now out of the service... medically discharged. He is as fine a young man as you would ever want to meet."

I want to say **Thanks to BEN WOODS and to RON MILLER** for your

service to our country. **God bless you both, and God bless all of your wounded friends, and those who didn't make it back home.**

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(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 21st year of publication. Cates can be reached at **770-635-7578** or **Norm@clubinsideronline.com**)

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...Crunch Franchising

continued from page 3

those relationships have proven to be the best of my professional career.

C.I. - Fast forward to today. A lot has happened since your IHRSA honor in 1995. How many years did you continue working with Scott Gillespie at Saco Sport and Fitness afterwards? I remember that Saco Sport and Fitness burned to the ground at some point. How did that turn out?

BM - I worked with Scott for five more years after the IHRSA Award. Yes, that club did burn down when I was there. It turned out to be arson, but Scott bounced back really well. That club has been doing fantastically. It's a wonderful community club. Scott's one of my best friends, and he was a great mentor when I was younger. He was on the NEHRSA and IHRSA Board of Directors most recently. They've just done terrifically.

Nine Years With 24 Hour Fitness

C.I. - Let's talk about your nine years with 24 Hour Fitness, whom you worked for before your work with Planet Fitness.

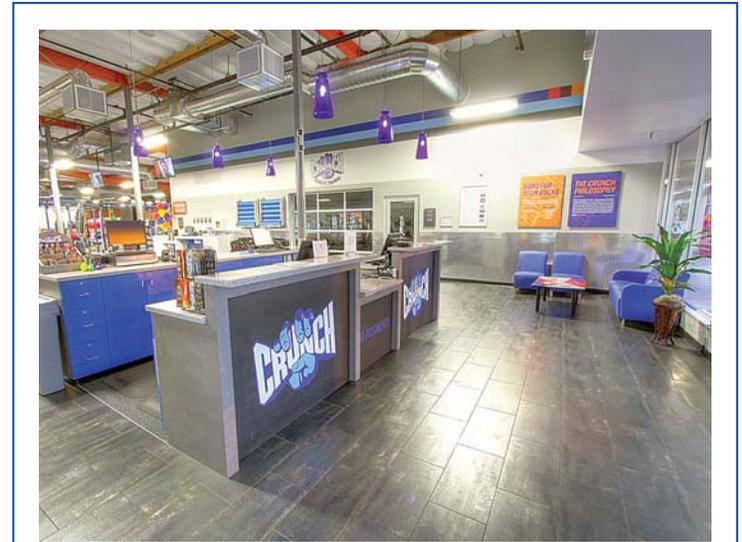
BM - I learned a lot about bigger business in fitness in those days. That was as big as you got at that point in time. It was a much, much faster pace than New England. I remember one of my positions was Division Director of Corporate Sales. So, then you're running a program in 60 clubs when you're used to operating two. Then, when you go up to the next level, you're working for 400 clubs, and you have to think about how these programs work with different divisions, different regions, different geographies... You know, business in Texas is different than business in Las Vegas, to a degree, and Las Vegas is a little bit different than Northern California, and Northern California is different than Tennessee. So, there are all of these things that you've got to understand, and your

set programs have to be modified, which I see as beneficial learning for franchising. The exact same playbook does not work as well in every market. That's one of the things that we've had to bear in mind with Crunch Franchising. We had to learn to be rigid on the things that protect the system and the integrity of the brand and learn how to have a little bit of flexibility or just enough flexibility so that our operators can do what's necessary to be successful in their markets, rather than just saying it's *our way or the highway*.

Then, after leaving 24 Hour Fitness, I went to Planet Fitness for a couple of years. After leaving Planet Fitness, I took a little time off, and then, I got the phone call from Mark and Jim saying they'd gotten involved in Crunch. They asked Craig Pepin-Donat and me if we would be interested in creating a franchise model. That was about 2009, as the franchise company was not nationally registered across the country until July of 2010. Before you can launch a franchise, you also have to have all of your support systems in order. Really, every aspect of the business has got to be developed and prepared... Otherwise, what are you selling? Some people do it the other way around.

C.I. - Ben, please tell us a little bit about your work with Planet Fitness.

BM - I started at Planet Fitness as President of the company. I had never worked in franchising prior to that, so I had a lot of catching up to do and adjusting to the way Planet ran their network. After about eight months, I moved to the Executive Vice President position to get some more time and experience with the model and network. At that point, we did some tremendous things. Sales were accelerated by 150%, openings increased by 70% and a lot of efficiencies were created in my tenure there. Planet has a great system with some great franchisees, and the strength of their network shows it. I am very appreciative of



Crunch Fitness Franchise Lobby

the time I spent there.

Crunch Franchising... A Ground Floor Franchise Startup Opportunity for Ben Midgeley

C.I. - Let's talk about your work with Crunch Franchising to date. I have several questions and am going to touch on some numbers and reflect on things that have gone on since you came on board with Crunch. Let's start with: How many Crunch Franchises are there now open for business and operating, and how many different owner / operator / franchisees control those franchises?

BM - We are four years old, and we have 70 operating Crunch Franchises. We have 25 to 30 ownership/operator groups involved. The average franchised owner in this industry has five or six clubs. We have one called Fitness Holdings, Inc. that has rights to over 40 in Westchester County, New York, Philadelphia, New Jersey and Boston. We also have owners who have 20, 15, 10, etc... A few have five, a few have three, and there are only a couple of owners that own just one. Most people in our network are multiple unit operators. That's the way we've committed to our owners. We wanted to develop the business so that we can always keep kind of a close culture. So, if you have fewer owners with more units (provided they can develop just as quickly), then I think it gives you an easier time to keep a close relationship with all of your franchisees. You get feedback from

everybody on a pretty regular basis, as opposed to having 300 operators that you have to talk to on a monthly basis to see how they're doing.

C.I. - Who's the owner of Crunch Fitness Franchising? What's their long-term strategy?

BM - The owners of Crunch Fitness Franchising is New Evolution Ventures (Mark Mastrov and Jim Rowley) and Angelo Gordon private equity firm in New York City. Working with Mark and Jim, you can't go wrong. And, Angelo Gordon are great partners, as well. I wouldn't think their long-term strategy is any different than any other business. You've got to grow the business to be as successful as possible. As you know, Crunch has two different focuses, really. There's the higher-priced Crunch Corporate Clubs... Our high-end clubs that are in the New York, San Francisco, Los Angeles, New Jersey and Miami markets, where the brand Crunch experience originated, and those clubs are doing great with Keith Worts leading that group. He's the CEO of Crunch and does a great job. Then, you have the franchise, which is my ship.

We've been growing very quickly, with 70 clubs in just four years and another 30 coming this year. The way the brands partner together has been terrific. The core clubs, the corporate clubs, go under the brand of Crunch. Then, we call the franchise clubs 'Crunch Essentials' in order to distinguish the services the different models offer under the brand. The higher-price Crunch Clubs generally have a larger footprint; more services in the club; more classes (100+ a week), such as Pilates, Yoga, Spinning; towel services, etc. The franchise clubs have 50 to 60 classes per week, we don't offer towel service, Pilates and the extras the Corporate clubs provide. The Crunch Clubs are at a higher price point and offer more. The franchise clubs provide a great workout experience. Being

(See *Crunch Franchising* Page 12)



Crunch Fitness Franchise Cardio Floor



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...Crunch Franchising

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honest with you, I don't see anything in the industry that offers what we offer for \$10 a month. From industry studies, the #1 indicator of where you are going to join is location. So, if somebody has a club that happens to be more conveniently located for them than we are, but if they like what we offer and still like the price, they will still drive to us with that low price point. Plus, these days, a lot of people have multiple things that they do for fitness... They may have a DVD program they use to exercise at home, they may stream exercise programs like with our Crunch Live program, or they're a member of a program like Crossfit and a member of a Crunch. It's not uncommon for people these days to have three or four fitness options... Whatever suits their lifestyle.

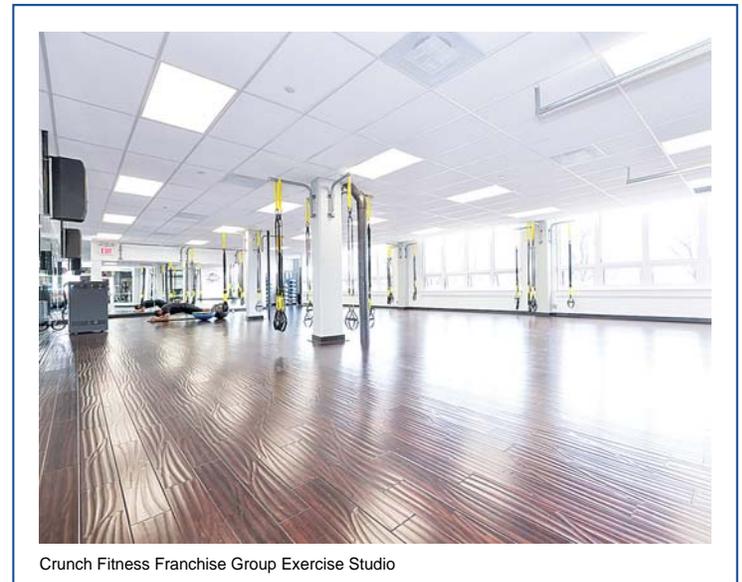
C.I. - Who's the ideal member who comes to a Crunch Essential club versus, for example, the people who go to Planet Fitness, YouFit, Retro Fitness or others in a marketplace?

BM - I don't think you'll find much of a difference between them, Norm. I think the price points are very similar and obviously, you're going to see a lot more low-price, high-value clubs come into the game over the next ten years. I wouldn't be surprised if there are 20 more of them in the next ten years. It's a great segment of the market to be part of. I don't think there's much of a difference in the clientele we're all seeking. I think the difference comes in what you offer in the club, what you want to do for activity and how you treat your members. We're almost of a mindset now that it's everything under one roof. So, if you want to do functional training, you can do that at Crunch. We have turf in our clubs now. We have functional equipment with boxing bags and monkey bars, TRX stations, medicine ball targets that are custom made for Crunch and nobody else

in the industry has them. The turf sections allow for great personal training and diversification of exercise. We use several of the industry's top brands of equipment. We have 80-100 pieces of cardio, a great variety of selectorized lines and plenty of free weights. In addition to a great selection of equipment, we've got child care in a lot of the clubs (which you don't see very often in low-price clubs). The child care is very popular. It's really up to the operator. In some markets, it's really important. In others, it's not as important. Sometimes, operators don't want to have to manage child care, as it adds a bit of complexity, but it's certainly a valuable service.

In a lot of cases, it's those Moms who are driving your personal training. Personal training is big in our clubs, and of course, you have group fitness. To be honest, in the beginning, it was more of a test to see if we could make group fitness work with the low-price model because others would tell you that it takes up too much parking or it's too complex. But, Crunch does such a good job with group fitness. I've got to give Donna Cyrus credit. She's the Senior Vice President for Group Fitness for Crunch. Our Crunch Franchise National Directors are Jennifer Renfroe and Lauren Busener from Crunch. That whole team has done such an amazing job that I haven't even had to think about it once, Norm. The operators love it. There have been no challenges on the parking side. We're offering 50, 60, sometimes 70 classes a week on a \$10-a-month membership. We started off with a 1,400 square-foot group fitness room, and now, we have some clubs that dedicate 3,000 square feet to their group fitness room. The whole group fitness team has been wonderful.

You would just think that, as President of a company with 70 clubs open and running thousands of classes a week, you would have issues. But, we just don't! That's really been part of the magic of what we've done and how we've grown so



Crunch Fitness Franchise Group Exercise Studio

much so quickly. I think you can count the number of success stories in the industry like we've done on one hand. I think it all depends on the people you have involved. You remember Craig Pepin-Donat, right? Craig is Executive Vice President of the company, and he's also a Co-founder with myself and New Evolution Ventures (NEV) Founders, Mark Mastrov and Jim Rowley. Craig designed all of our operational systems and our support, our construction manuals, our intranet system, etc. I'm confident in saying that there are probably very few franchise companies not exclusive to the fitness industry that rival what we have set up from the support standpoint.

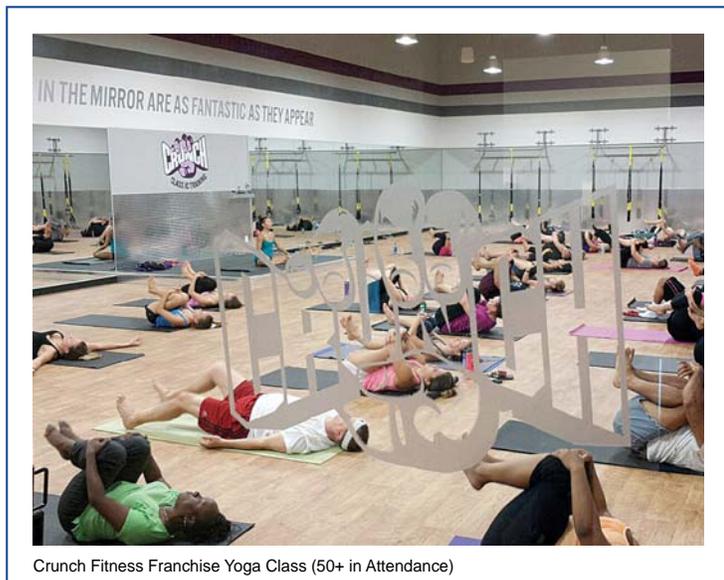
C.I. - Craig is a super guy and one hell of a great character! Another great thing is that you and Craig go way, way back, don't you?

BM - Yes, we do! Craig is the one who hired me into 24 Hour Fitness years ago. He's very close to me. He's a God Parent of one of our children, and we're the God Parents of one of his children. That's one of the reasons that we all work so well together. Obviously, with our relationship with Mark and Jim, we've all been together for a long time. When you have that level of trust, it's much easier to get things done. There's another teammate I want to mention. His name is Mike Blouin, who years ago, worked at Planet Fitness when I was there. He went on to work for Cybex for a couple of years. Then, eventually,

I got him to come here. He's just done a fantastic job with our franchisees, making sure everybody's financed, oversees the complexity of equipment ordering and he helps people on the sales side to get comfortable with the model. We've got an awful lot of experience and depth in the franchise company that goes out in a lot of directions. Add to that, our franchisees are great people! They love the brand. They love what we're doing. They appreciate the way we treat them, with a lot of mutual respect and dignity in the network.

C.I. - Do you have operators who've taken area development agreements to fill out a full city, state or region? If yes, what are the support plans for those operators? Do you have a big picture advertising plan for folks who control a region or a state?

BM - We have plenty of operators who have multiple counties. We have operators who are working on taking entire states. Obviously, an operator like that must be one who's very well heeled compared to an operator who is opening three or four clubs. They have different infrastructure needs. We're in Puerto Rico now. We're in Australia. We're registering in Canada in the next few days. We're working on different international deals currently. We're trying to move very quickly internationally. In terms of support systems for them, we provide a tremendous amount of support. We help with locations of commercial real estate to assistance with leases and construction. The construction manual is amazing... It's almost 150 pages. So, when they go to build their facility out, there's nothing left to figure out. The operations manuals are dynamic. Our Intranet is our hub for our franchisees, where every change is communicated out to the network on a regular basis. You can pull down marketing assets right off the system and place them. We essentially have our own Agency to support our franchisees' marketing. I'm not sure anybody else
 (See *Crunch Franchising* Page 14)



Crunch Fitness Franchise Yoga Class (50+ in Attendance)





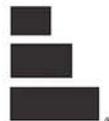
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...Crunch Franchising

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offers that. That's the in-house agency at Crunch Corporate, and they provide everything from PR to web services to any type of collateral inside or outside that you might need. Christina DeGuardi, the Senior Vice President of Marketing, runs that Department and Molly Graziano does a great job supporting our franchisees.

We provide orientation training, video support training, in-club training and onsite support from us or different parts of our Team. Then, obviously, training continues at our convention. A lot of the network franchisees have regional meetings and get-togethers. It's a great support network, not just from the franchisor standpoint, but from franchisees supporting franchisees. We have an Opt-In aspect where people can share all of their stats on a daily or weekly basis. They can share all of their marketing promotions, so that when franchisees get a good look at what everybody else is doing, they may say, 'Hey! I'm going to do that, too! I'm going to get on the phone with Dave or Sarah, or whomever and get some information on what they're doing in their market.' Then, they might import that to where they are. So, I'm really proud of everything we, and they (our franchisees), are doing.

C.I. - Well, you've got a right to be. I was thinking back on your history. Then I thought back on Mark's history, and considering what I do know about Jim Rowley and Craig Pepin-Donat, you guys have a hell of a team there. You really do. So, you really should be proud to be a part of the entire Crunch Franchise organization.

BM - Thanks Norm, we do. We've got a lot of strong personalities, too (chuckling)! But, they're strong personalities that respect each other, you know? In this organization, which is not true of many others, it's okay to disagree. Sometimes, you're going to

win, and sometimes, you're going to lose. But, in the outcome, if you sit back and look at those disagreements, and you look at what happens five or six months later, generally, the right things happen because of that give and take. It's hard to duplicate that in a lot of organizations, but over time, its one of those operational attributes that you cant put a value on. That's one of the main reasons I've stuck with Mark and Jim as long as I have. That and, in my opinion, you couldn't find better operators anywhere in the industry than those in the New Evolution Ventures Family.

C.I. - Have there ever been discussions of exit plans by the owners? If so, can you share those with us?

BM - No, not any more than you will find with any other company in which private equity is involved. All private equity firms have a certain timeframe in which they will want to move on. But, look at Forstmann Little just selling 24 Hour Fitness... They were probably in a little longer than they wanted, but private equity works in cycles. Sooner or later, whenever they feel the time is right, I'm sure they'll look to exit. One thing about that, from a franchisor perspective, we've structured our agreements so franchisees, regardless of change in ownership, the most important aspects of what they're doing are protected. One of the biggest things that we do is that, when you purchase ten franchises, your royalty on the 10th club will be protected and will be the same. We've raised our royalties twice since we started but not on existing franchises agreements.

How Much Does A Crunch Franchise Cost?

C.I. - Speaking of costs, how much does a Crunch Franchise cost, and what are the royalties?

BM - \$25,000 per store, and there is currently a 3.5% royalty. It's lower (See *Crunch Franchising* Page 16)

Comments From Crunch Franchisees

CLUB INSIDER sought to hear directly from some Crunch Fitness Franchisees, so we reached out to two of them for comment: **Steve Clinefelter** is a 32-year industry veteran, and the owner of several and an ever-growing list of Crunch Fitness Franchises in Orange County, California. **Chris Pacifico** is a 25-year industry veteran and partner with Maria Parrella-Turco, in five Crunch Franchises in New Jersey and New York (#5 was scheduled to open on July 10, 2014).

We asked Steve and Chris to tell us the primary factors in their decisions to become Crunch Franchisees and to give advice to anyone seeking to convert their clubs to Crunch Franchises, or to start-up new franchises, what their future plans for Crunch are, as well as to add any additional comments they'd like.

Steve Clinefelter replied:

What we were looking for was what we had back in the late '70s and early '80s with Ray Wilson, which was a very entrepreneurial spirit, a much more casual operation, a not so corporate, work-from-home environment, not being on a plane Monday through Friday flying to different meetings, and so forth. So, when the idea of Crunch Franchising came to me, it sounded like it was right up our alley for that entrepreneurial spirit and several other factors.

I'd remembered the Crunch name from its early days when the name was the coolest in the industry. I remember being out here on the West Coast thinking about Crunch on the East Coast and how I was hoping they weren't going to come out west to compete with us! I liked their style. I like their attitude. They really did a great job of developing a brand and making it *different*. *Differentiation* is something most companies say that they've got, but most consumers don't agree. They all kind of blend together. In fact, one of the comments that I heard from my neighbors over the years was, 'Here's Steve Clinefelter; he works for LA Fitness.' And, I'd say, 'No, no, no, I work for 24 Hour Fitness!' But, for them, the brands weren't really different. They all sounded kind of the same. Nonetheless, Crunch was very different, and I loved the brand.

When I heard that Mark Mastrov had acquired Crunch, I predicted great things for the brand, and we bought into that. I loved the no judgments philosophy. Original Crunch Founder, Doug Levine, did a fabulous job building the Crunch brand because he understood normal people. Normal people are what the industry is all about. If you cater to the small groups, such as the bodybuilders or the power lifters, you may not understand how they are somewhat intimidating to normal folks. So, Crunch seemed to get that, and we bought into their marketing and messaging to the *normal folks*.

The Low-Price Model Is Ruling

We also bought into the low-price model. We said, 'You know what? This thing is here to stay.' It's economically sound. There's a whole lot of folks for whom money is tight these days, and they cannot look at a \$30 to \$40 per month membership as practical for their budget. My view has been that we're in a new age and new economy now in this country where dollars are tight, as exemplified by the arrival of many Dollar Tree and 99 Cent Stores, for example. The world has changed in terms of people looking for discounts and ways to get things inexpensively. This is a shift in the industry that we saw and said, '*This is here to stay.*' So, we bought into it, too.

We created this joint venture with the Crunch parent company to launch the first few clubs. That was kind of a daunting task, but Ben and the joint venture partners did an extraordinary job with it. Mark and Ben picked five old friends to be the JV partners: Steve Block, Mark Polli, John Romeo, Curtis Harmon and me. We all knew each other from the 24 Hour Fitness days, which reduced risk for us all. We partnered with the parent company to help fund the clubs, and they let us operate the initial stores to figure it out... to make sure that what the low-price model said on paper was how it would actually perform in reality.

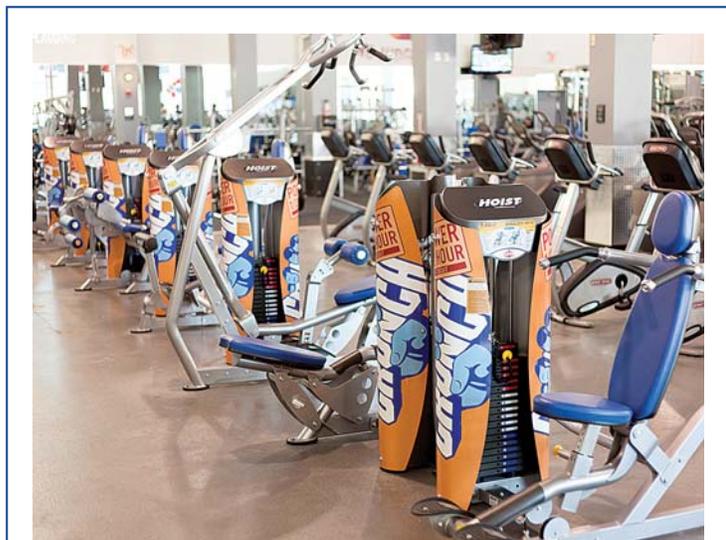
So, for the first three years, I built three stores in that joint venture, and the other guys built another 12 stores. Together, we learned an incredible amount, and that did nothing but increase the enthusiasm and excitement for me to where it was evident that the joint venture was no longer needed and I was ready to fund new clubs on our own. So, my company started our most recent location as a pure franchise, not involved with the parent company support, but strictly on our own. I loved it. My company has acquired the rights to grow in Orange County, California, which I think is one of the greatest counties in America for fitness. We'd like to be the #1 low-price player in that market, and we are off on a mission to make that happen.

Words of Advice

As far as *advice* to anyone, I'd be incredibly enthusiastic, based on my own experience and what I see happening in the industry, to say that the **low-price model is a vital force, a necessary force and a force for good. It will expand the size of the industry member base in this country significantly over the next ten years.** How do you see past ten years? I don't know. But, as I look at the next 10-year horizon, I'd say the low-price model is going to be the (See *Comments From Crunch Franchisees* Page 16)



Steve Clinefelter



Crunch Fitness Franchise Equipment Floor

...Crunch Franchising
continued from page 14

than most.

C.I. - Among the number of current 70 franchisees you mentioned, how many of them are independent versus owned by joint ventures or other entities?

BM - Most of them are independent, Norm. Of the 70 clubs, I think only 13 of them were joint venture related. So, the percentage of independents is in the 75 to 80% range.

C.I. - Please describe the size of your typical Crunch Essential Fitness Center.

BM - We're probably in the 17,000 to 23,000 square-foot range. Our smallest club is 12,000, and our largest is 35,000 square feet.

C.I. - How many total members does your average Crunch Essential Fitness Franchise have? How about average total revenue? EBITDA % margin?

BM - We have 7,000 members per club, on a mature average. In terms of our earnings, our Franchise Disclosure Document can answer these questions for anyone who wants to know. We publish our earnings claims on Page 19 of that document. Anybody that's interested in those numbers should contact us (800 - 669 - 7162) to obtain our Franchise Disclosure Document.

C.I. - What's the average Crunch Franchise membership enrollment fee and price point?

BM - We're low price, and in my opinion, when you're low price, you've got to commit to it. You can't have these crazy high enrollment fees. So, you'll rarely see an enrollment fee over \$39, and our dues price point is either \$9.95 per month or \$19.95 per month. We try to make everything so it's as friendly as it can be, and as fair to the franchisee and franchisor,

but also to the consumer. For example, contracts. We might test a contract here or there just to see if there's any real difference in attrition, generally, with us a 10 Days Notice to Cancel and your done.

C.I. - Let's talk about how the low-price model has been somewhat poo-pooed by competitors who say, 'Well, low-priced gyms can't deliver service.'

BM - Give me a break! I'll put our customer service up against any club because the owners have pride in what they're doing for their members. I think that, no matter what organization you are with, you are going to have an occasional lapse in customer service sometimes. But, it's a premium in these clubs, and our operators understand the community you build within the club creates a *stickiness* around the member base. You know that. Your readers know that. We've been talking about that for 20 years!

C.I. - Longer than that! We've been talking about that since I had hair (chuckling)!

BM - Yeah. That is what it is, but you can deliver great customer service at \$10 a month! There's no reason to have less customer service because you charge less.

C.I. - What's your typical payroll dollar amount as a percentage (%) of revenue?

BM - That's another item that can be found in our Franchise Disclosure Document. The only real difference about our payroll levels, compared to other low-price clubs that don't offer group fitness, is the additional expense for group fitness instructors, which will run \$40,000 to \$50,000 annually in additional operating costs. That's it. So, the trade off is how many more members you get by adding group fitness classes at the cost of \$40,000 to \$50,000 per year. That's pretty good. But, in the beginning, we didn't know if group fitness and the low-price model was going to work. It *SURE* works... I'll tell (See *Crunch Franchising* Page 18)

Comments From Crunch Franchisees (con't)

#1 force for growth and development in the industry. If you agree with me on that point, the next question becomes, 'Which ship has the wind in its sails to carry you forward as far as possible?' I'd say Crunch has a clear advantage because of what the brand has done in terms of differentiation. I wouldn't know who the second most known brand would be, but Crunch is the best conceived in the industry in my opinion, and that's usually valuable to a franchisee... to walk in with that name essence.

Last, and probably most importantly, is just the group of people that Mark Mastrov has assembled, starting first by hiring Ben Midgley, who then assembled a team of significant experience. I never did any comparison shopping on franchise fees. I suppose there would be some franchises that you could go out and perhaps get lower fees. I don't even know if that's true, but I'd never recommend to anybody to base a decision on trying to find a less expensive way to go. I would say go with a *Five Star brand* and get the support that you need, especially if you don't have significant experience in the industry, because this model is something that non-industry people can and should consider doing. They get the playbook that Ben has assembled. It is so thoughtful, so thorough and covers every aspect of the business from soup to nuts. The playbook gives even novice and new-to-the-industry franchisees the ability to be trained on how to operate the gym. It tells you how to do it all, to conceive and build and open and manage a franchise club.

Future Growth

On future growth, I've limited my plans for the moment just to Orange County. We bought the rights to Orange County, and we think Orange County needs somewhere between 12 to 15 clubs, so that will take us at least the next 3 - 4 years to fill it out. We're going to stay focused on that. If you look at the national map, it's so wide open we would certainly be open to expanding into other territories when those opportunities come up. Orange County has 3 million people and is densely populated with people who have a high propensity toward fitness. There really are no low-price players dominating the market place, yet, so it's pretty doggone good. Ray Wilson's Family Fitness did very well there. Then, 24 Hour Fitness did very, very well. And, I have the luxury of all those years of experience in Orange County to lean on in terms of site selection in the market, which intersections are the best, etc. Stay close to home in terms of what you know is what I'm thinking for now.

I'm 56, so, I'm operating under the premise that this is my swan song experience, and this will carry me through retirement, which is certainly my plan. **I don't have any interest in spending this time with people that I don't know, I don't like or I don't trust.** So, most meaningful to me of all is working with people that I know and that I like and that I trust. Mark Mastrov and Ben Midgley are both in that category, and that's a pretty rare category. I've met a lot of people, but I don't have a very long list of people that are home runs in each of those categories. At the very core of them, they're both family guys. They are both great husbands, great dads and great quality people. I get out of bed every morning and have great confidence in what we're doing because of the *quality of the people*. That matters more than any other one thing to me.

CLUB INSIDER - Isn't that a blessing? Sounds to me like you've been in the right place at the right time, Steve.

Steve Clinefelter - I can't tell you how many times I thank God for how fortunate I am to have met such great people.

• • •

We'd like to thank Steve Clinefelter for his time for this illuminating interview. **To me, this may be one of the most important and illuminating interviews I've ever done in my 21 years of publishing CLUB INSIDER** because of the great clarity and excellent manner in which Steve articulated his thoughts and beliefs on why the future of our industry growth will be driven by the **mounting force we all now know as the low-price model.**

• • •

Chris Pacifico replied:

We've been involved with Crunch since early 2011. Our first exposure with Ben Midgley and Crunch was because we were interested in the Crunch territory for State Island, New York that we wanted to develop. It's a neighborhood-driven market, so driving distances might be two to three miles. We had bought that location first, but that wasn't our first operational Crunch location as that was in Wayne, New Jersey. But, we'd wanted to firm up the rights to the Staten Island location, so we moved on it first. We were very early as the Staten Island location was maybe their 5th or 6th franchise ever.



Maria Parrella-Turco & Chris Pacifico

The primary factors for me was that, being from the New York Tri-State area all of my life, and knowing the different players

(See *Comments From Crunch Franchisees* Page 18)



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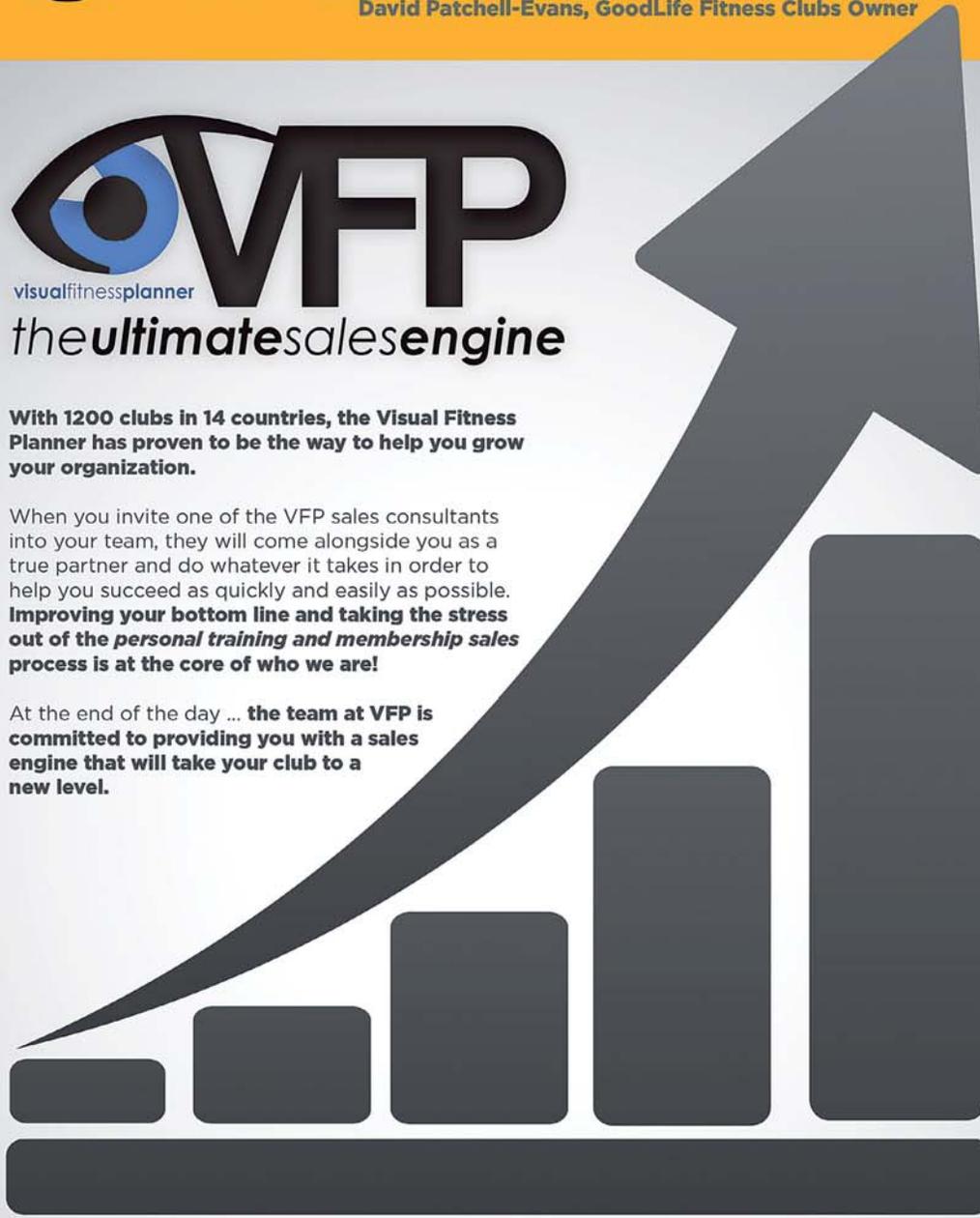
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PROVEN

...Crunch Franchising

continued from page 16

you that.

C.I. - What's your target franchisee? What's the key criteria you look for in a good franchisee prospect?

BM - For us, you've got to have a good understanding of business. Not necessarily the fitness business, but business in general. You've got to have good character. We don't want to bring in any people that don't blend with our network. We had a large operator who bought 30 clubs. Because of some differences that prevented a good fit, we ended up just giving them their money back, and we both went our separate ways. Respectfully, you know? It just wasn't a fit. You don't exchange the potential for another club or two if you're going to be put in a work environment that's not going to work. So, we've been very careful to select people that we like, who exhibit a strong character and that we think we're going to be able to have a good, solid working relationship with. You know, not everything goes smoothly. It's a big deal for someone who's never opened a health club. You've got your leases, your commercial contractors, all that stuff. You open, and you've got thousands of people running in the door. There's plenty of opportunities for things to go haywire. So, we just want to make sure that the people we bring in as franchisees have *good balance* and takes things in stride. Because, once you get through that initial kind of craziness and have the club open, then it all works great. And, if you're familiar with that and have done that in the past, there's no issue at all.

C.I. - Well, to summarize, you're looking for good people with a great business acumen who are easy to get along with.

BM - Of course, you've got to have enough of a balance sheet, as well, right?

C.I. - Why should someone choose Crunch Franchising over the many other franchises in the category?

BM - I think that, at the end of the day, if you look at the industry at large, I, with the utmost confidence can say that we offer the most competitive and progressive fitness model in the industry. We pride ourselves on being willing to make modifications and listening to our franchisees. If we find something that's going to be a big hit, and we can fit it in without really changing the integrity of the model, we're on it!

C.I. - How do you find new franchisees?

BM - We get a lot of inquiries from members. We do a lot of advertising on satellite radio. We attend the franchise shows. We work with different professional athlete groups and have a number of professional athletes in our group. We have fairly high profile owners who referred a lot of people to us. We're now on the Entrepreneur 500 List. We debuted at #401, which was great for a 4-year old franchise. We're the only full-price fitness franchise group to get the *Franchise*

Business Review 50 Satisfaction Award two years in a row. We put a high premium on polling the franchisees. We had a fantastic jump in franchise satisfaction from last year, which was already a good number. I think we're about eight points higher than the mean franchise satisfaction for fitness right now. We're getting more and more accolades as we move on. We've had great coverage. We were recently featured on Fox Business News. It all kind of compounds itself. The first couple of years were tough. We had a new brand, and we had to go out and say, 'Look at me.' We had to go out and get some successes, and they're compounding now.

C.I. - Are you looking for existing clubs to convert to your Crunch Franchise model, as well as new startups?

BM - Sure, we will do conversions. We've got conversions in many different parts of the country. The key question is: Is that operator willing to make their previous brand look like our brand? If you're going to look like a Crunch and fully operate like a Crunch, we'd love to bring you on. But, if you're just going to nickel and dime it, then it wouldn't be a good fit...

C.I. - You've already answered this somewhat. What if a club has 30,000 to 40,000 square feet... Is that too much to monetize?

BM - No, not at all. I'm seeing some real interesting things out there in terms of where the low-price model can go.

There are some brands that will do 50,000 square feet. But, you can't do that in every market because your demographics are restrictive. I think that where the markets will allow it, you can do 30,000. It depends on how much you spend for your buildout. I think that low-price is an exceptionally exciting place to be, and we will see it evolve even more over the next five years, in addition to more competitors coming in the market.

C.I. - If you could describe your Crunch Franchising 'Sweet Spot,' what would it be?

BM - First would be financial qualification. Beyond that, *passion* for the business on some level. We like people that are a little laid back because, at its heart, our industry should be a *FUN* industry.

C.I. - Have any Crunch Franchisees exited? If so, did they exit with a profit?

BM - The only one that exited is the one I mentioned before. They left with their money back, and we all moved on.

C.I. - Please share your thoughts about IHRSA after all these years.

BM - I love IHRSA. We've invited them to our convention next weekend. They've done an awful lot for our industry. I'd really like to get back to speaking at IHRSA. I'd like to do a presentation just for new people in the industry. I remember my first IHRSA Convention. I just went there and kind of walked around and didn't know anybody. Then, meeting guys like you when I was young, people who kind of steered me in the

right direction. It was and is terrific.

• • •

I want to thank Ben Midgley for his time sharing his career with us, and in particular, I want to thank Ben for being one of the truly top flight people in our entire industry. Ben sets an example that many can learn from, and I also want to thank him for that.

(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 21st year of publication. Cates was IHRSA's First President, and a Co-Founder with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. Cates may be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)

Comments From Crunch Franchisees (con't)

and organizations in the fitness industry, Crunch has always had a positive name, a good reputation and a drive to bring in a little bit out-of-the-box programming, which was something that we knew would be a success in the Tri-State area where it originated.

So, when we found out that franchises would be available through Crunch, we met with Ben and wanted to find out more. We like the name, the reputation. We wanted to find out about the organization. Since I had been a Gold's Gym franchisee before, I knew that, sometimes, there are a lot of stipulations and limits on what you can do with your club. So, we wanted to find out what their philosophy was, what they were looking for, what their growth plan was and what they saw in the future for Crunch Franchises.

When we met with Ben Midgley, we liked what he said. We liked keeping the brand and the good reputation there. We liked some of the unique fitness programming that was going to continue in the franchise model. We liked that there was flexibility in design of our clubs, and at the same time, keeping the brand. Obviously, we liked the relationships they were building with vendors, and we thought it was a great combination of our experience of 20+ years as operators and hooking up with a brand that was well known in the New York and New Jersey markets.

In response to how many Crunch locations we have, I'm going to say five because as of tomorrow (July 10, 2014), we'll have five in New Jersey, and one on Staten Island, New York. Our future plans call for opening more locations in parts of the Northern New Jersey market, and we have the franchise rights to build ten more locations in the outer boroughs of New York City, including, Brooklyn, Staten Island, Queens and the Bronx.

In closing, let me say that I don't want to call myself an industry veteran, I'll leave that term for you, Norm.

CLUB INSIDER (C.I.) - (Laughing) Are you saying that I'm the one WITHOUT the hair?

Chris Pacifico (CP) - I don't know (Chuckling). You're always wearing that hat, so I'm not quite sure what's under there!

C.I. - Hey, I appreciate your recognition of that branding thing I've been doing all these years with my black hat!

CP - (Laughing) There you go, it does work! It does work! Everyone knows you, Norm. And, respects you!

C.I. - Well, I love all of y'all! It's reciprocal. It isn't an act.

CP - I hear you. Being around the industry for quite some time, 20+ years, being a former franchise owner and being an independent club operator with Club Eclipse that you did a Cover Story (March 2008) on a few years back, as well as being an industry consultant for the last 12+ years, I recognize along with my partners, that this industry is certainly growing in the competitiveness of clubs and micro-gyms that are opening up. Specifically in the Northeast United States, where we've been inundated with different facilities, the need for a competent brand that is recognized by the consumer has become more and more important. There are certainly great brands out there in our industry, and we feel confident that Crunch is one of those brands and will continue to be that. It's a great organization. There are some good people behind it. What I hope you will be sure to put in your article is that one of the things I really like about Crunch, and I certainly hope that it continues, is that they go to their franchisees and ask, **'What can make us better?'** I think that's an extremely important thing because, even though it's a smaller franchise organization at this point, and it's not yet the size of some of the bigger ones, I think that the potential for growth is significant. Some of the things they've already done are based on the opinions of the people who are in the clubs, working the clubs, opening these clubs... That, to me, is important, and I think that's where any franchise that will continue to grow.

C.I. - Well, that's a great compliment for Ben and for Mark Mastrov's wisdom in picking Ben for his very important job in the first place.

CP - Yes! Norm, just be sure to underline: **'We hope that it continues to be that way.'**

• • •

Our Thanks to Chris Pacifico for his time sharing their East Coast thoughts on Crunch Franchising, which when combined with Steve Clinefelters' West Coast perspective, to me, sets Crunch Franchising up for a long, long haul of excellence.

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Five Keys To Successful Gym Ownership

By: Jim Thomas

It's been a busy Summer so far. We have had the opportunity to visit numerous clubs and help them get their business back on track.

While each gym is very different, the issues are always strikingly familiar. The following will include things we are seeing with clubs that are not reaching their full potential and how to find the solution:

1. Marketing. This is usually first on the list. The problem is that no one knows who you are, and those that do know who you are... don't have you at *top of mind*. Clubs must attract attention to themselves. Far too many clubs are only doing one or two things to attract attention to their business. We suggest that you be doing at least 15 to 20 things. It takes massive determined action to gain the kind of attention necessary to make your gym a success. Doing one or two things is like tossing a rock into the Grand Canyon. First tip: Get a club app. It will help with maximizing attention with all members and prospects that have visited your club. With such things as geo-fencing, you can send a push notification when your member is near the

competition, for example, or when they walk in your front door.

2. Sales Training. Now that we're getting people in the door, we need to be sure we know how to sell and close. These are two completely different things. Let's address the issue of closing. Gyms seem to have given up key steps of the sales process. Perhaps it's in an attempt to provide good service. But, unless you close the sale, you'll never get the chance to provide good service. A couple tips here: Be agreeable and *be sure to ask for the sale...* and *be sure you are selling desired outcomes*, not just showing features.

3. Staff Training. Sales training is just like a fitness program. If you want the best results, you must do it on a regular basis. Be sure you are using a proven sales process in your club and hold your staff accountable for its proper implementation. We suggest that you hold a weekly training session (one hour each time) for managers, weekend managers and salespeople. They must know the material. Don't allow them to practice on the paying customer.

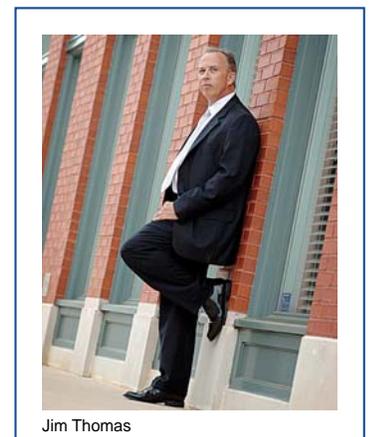
4. Set Expectations. It's interesting how many businesses do not have production

quotas for their staff. How many sales are expected each day? How many calls are they expected to make? How many leads are they expected to generate? Gather all your key performance indicators and review this daily. Identify what's working and what's not. Repeat what's working and fix the other.

5. Follow Up. Follow Up. Follow Up. If you want this to be important to others, you need to show them it's important to you, first. You simply can't tell them what you want and then walk away. You must follow up: *Inspect What You Expect*. Your staff must receive feedback. At its simplest, meet with your manager upon arrival at the club each day (by phone if you like) and review expectations and the plan for the day. Meet again briefly in the afternoon to check on progress and again before they leave at the end of the evening. Be sure they check out with you on production for the day, what worked, what didn't work and how many appointments they have set for the next day. You want to create an accountable "make it happen" culture.

Now, go make your gym a success!

(Jim Thomas is the founder and president of Fitness Management USA Inc., a



Jim Thomas

management consulting and turnaround firm specializing in the fitness and health club industry. With more than 25 years of experience owning, operating and managing clubs of all sizes, Thomas lectures and delivers seminars and workshops across the country on the practical skills required to successfully build teamwork and market fitness programs and products. Visit his website at www.fmconsulting.net

Leverage Q3 For A Strong Q4

By: Deneen Laprade

The third quarter, when used wisely, can be a powerful setup for fourth quarter successes. Take advantage of the summer season and its unique set of characteristics, such as low and/or inconsistent member usage, to leverage your brand to achieve *Top of Mind* status with prospects. It's a matter of using this time to increase brand awareness that generate leads in the fall. Additional aspects of your business to address are planning and strategizing.

Brand Awareness is achieved by blanketing your market with your brand in as many marketing vehicles as you can afford to execute. Budget friendly suggestions are:

Guerrilla Marketing is the act of deploying somewhat non-traditional marketing tactics, such as flyer distribution, face-to-face meetings with local businesses and community event participation. It is extremely useful at this time of year. They tend to be lower cost to execute and in exchange, require more effort on your part. Guerrilla Marketing strategies are also a means to work on your business. By establishing mutually beneficial relationships within your community, you're putting a "face" to your brand that can positively impact your bottom line in the future.

Social Media posts have the potential to go viral and are often free. They're easy to produce and execute, as well. Consistent postings are the key to success in this realm. Keep prospects engaged and wanting more from you.

Prospect E-blasts are an incredibly cost-effective means of getting your brand in front of prospects you may not have reached via other means. Well-crafted subject lines with clean and compelling creative with a sizzling offer will make all the difference. Inserting a lead capture mechanism is a must.

The marketing vehicles mentioned above should be employed year-round as part of an annual marketing plan. They just happen to be very useful during a time of year when average membership and program sales are down and budgets are a little tighter.

Internal Strategies are very important in Q3 for two reasons. First, member retention efforts should be first and foremost on the minds of your staff. Now is the time to show your appreciation for your members' loyalty by building small thank-you tactics

into your daily operations. Examples include free guest days, random water and towel in spin/yoga classes, smoothie samples after class, outdoor classes, fitness challenges tied into club usage over the summer months and a member cookout or picnic.

The second reason your internal marketing should be stepped up during the summer is to use this time to soft launch new programs and introduce new staff members. It's an opportunity to start small and smooth out the rough edges so by the time fall rolls around and your daily obligations once again take up most of your time, you are a well-oiled machine. It also gives members a glimpse of the fresh new fitness routines they can expect in the coming months.

External Strategies should be creative, low-cost and intriguing. Use the vehicles mentioned above to share news and information about your business with local prospects in such a way as to compel them to act when the time is right.

Examples include creating or sponsoring a team in local fun runs, hosting a community day of wellness with local "complementary" businesses, such as massage therapists, physical therapists, chiropractors and nutritionists. Use these engaging occasions to educate prospects about health, wellness and fitness. Showcasing the effective, safe and fun experiences you provide positions your business as the local expert and trusted

advisor of all things fitness.

Additional Considerations

Plan your Q3 and Q4 marketing strategies. Take a look at the first half of the year, analyze the results and determine where your business needs to grow. Focus your efforts on those areas, whether it be your membership dues line, profit centers or both. Get clear on your marketing objectives, be sure your sales systems include tracking your efforts and measure your outcomes versus your objectives every single day!

Consistent creative must be developed to ensure your brand messaging won't be misinterpreted. The last thing you want is for your brand to be confusing and inconsistent. Colors, fonts, images, logos and tag lines are all key elements of brand awareness. Take the time and spend the money needed to develop a consistent cache of marketing pieces that are clean, consistent and powerful.

Hire a single designer or agency to produce all of the marketing pieces you use, regardless of vehicle. The example below is a piece that is undeniably unique to this facility. It is clean, powerful and consistent. Develop your own look and put it on everything you do!

Clubs often and unwittingly create brand confusion by developing their own in-house pieces for schedules, flyers and emails and allowing outside sources



Deneen Laprade

such as newspapers and printers to develop others. Subtle variations in font, colors and imagery are just enough for prospects to question whether this is, in fact, the same club that left the door hanger as the one that sponsored a team in the recent 5K.

Be prepared to answer "yes" to unexpected marketing endeavors such as last minute calls to participate in a community event or to take advantage of ad placement opportunistically. Take the summer to build a collection of printed collateral that can be mixed and matched depending on the audience. It saves time and allows for spontaneity when it arises. A budget-friendly method is to create the designs and have the files ready to print as
 (See Deneen Laprade Page 21)

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...Deneen Laprade
continued from page 20

needed. Of course, it's advisable to first shop around for the best print rates and find out about turn around time, as well.

Make the most of the summer by building your brand with low-cost, effective marketing vehicles that engage prospects in creative ways. Ultimately, you will generate leads in the fall that position your business to realize an increased market share and incremental growth as the year comes to a close.

(Deneen Laprade is a Marketing Coach with Susan K. Bailey Advertising and Design, and she can be reached by phone at 888-349-4596 or email at Deneen@skbailey.com)

Make It Fun!

Develop A Cultural Shift in Employee Wellness

By: Robin Schuette

Given that there are more than 8,000 vendors serving the corporate wellness market, how do you begin to differentiate your services? In reading a recent article in *Modern Healthcare* (May 26 issue), I was interested to learn that, of the 8,000, four companies account for less than 15% of market share. This leaves plenty of opportunity for other wellness providers, including your business to partner with small, medium-sized local organizations. However, the article didn't even mention companies like Virgin Pulse, which has 200 international clients with 1 million participants, so product differentiation is key.

Many clubs already partner with local businesses by offering a corporate discount on membership fees or providing a la carte wellness services, such as fitness screenings or assessments. I believe your club has a better opportunity to make lasting change by first **modeling a culture of wellness among your own employees and providing targeted chronic-disease management programs**. In this article,

we'll go through some key steps to create your own corporate culture. In the next article, we'll cover developing chronic-disease programs.

By modeling a wellness culture within your club, you gain first-hand knowledge of how to start planning with local businesses, and eventually, you will have key results to promote. First, consider these five steps:

1. Understand the concept of the benefits of a wellness culture and develop a strategy. Of course you understand the benefits of fitness, it's your business after all. Here, I'm referring to the nuts and bolts of your operation and how you communicate wellness in all aspects of your business to your staff from interviewing to new employee orientation as well as monthly memos or announcements.

2. Build buy-in of key people on your team. If employee retention isn't a concern, you have motivated, supportive team players on board. Discuss your goals and strategies with your leadership team. Don't have a leadership team? Organize

one with regular meetings to discuss major initiatives, including your goal to be the Number 1 employer of choice in your area.

3. Develop an employee wellness and communications plan. This includes setting goals for enrollment in any type of program and outlining a budget for incentives and program delivery. Regular communication is easy with MailChimp or other e-news delivery programs, but developing consistent content to cover all aspects of the business requires an editorial outline and regular contributors, as well as an editors.

4. Implement your plan. Getting started is one of the hardest parts. Staff time needs to be allocated for participation in any fitness or wellness events and for those fitness team members who also will help deliver key components of the program. For example, if you are offering an assessment to all of your employees, calculate the hourly personnel cost.

5. Measure your results on an ongoing basis. You've read the phrase, "What



Robin Schuette

gets measured, gets done." Or, to spin it Peter Drucker style, what gets measured gets managed.

We had actually spent years developing a healthy workplace environment that entailed more than just screenings and free memberships. We worked from the top down to communicate (See *Robin Schuette Page 25*)



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staff. It's like found money. From a business perspective, it's beyond awesome.

2. The other variable is that I started to notice a trend, especially in people over 35, that they weren't able to lose weight like they had in the past, or they'd lose a little bit and then stop, or they would lose and gain. We wanted to find out why, so we started researching and found out there are eight different hormones that affect the body's ability to lose weight.

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We looked at the good, the bad and the ugly and said, "How can we make it better? If the end user wants a fast loss, and we know how to remedy this because of the research we are doing, it sounds like a win/win.

I also know what I personally want as a club

owner. I want something that is simple, that doesn't take a staff, that doesn't have an overhead. I want something that I can go back and plug in instantaneously without having to hire anybody.

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- DONNA KRECH



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The Anatomy of a Bad Hire

By: Dennie Noecker

I frequently hear the following story: "I don't understand what went wrong. I was looking for a General Manager (this could be any position in your organization) for months. I finally found a GM with the background, skills and experience I was looking for. Yet, it has been six months, and most of the things I was looking for them to do have not been done." Does this sound familiar to you? If so, I can assure you that you are not alone. As an executive recruiter who has filled high-level positions in our industry from coast to coast, I have heard this story many times. I'd like to share some ideas with you, that if you are willing to try, will dramatically reduce your hiring mistakes.

First, when you run into a situation similar to the one I just mentioned, this is typically a case where individuals are simply not motivated to do the work or are working under a different set of expectations. They have the necessary background and skill set, and yet, the work isn't getting done. This lack of motivation can be caused by a number of things: they

have done the work many times before and are simply tired of doing it; they no longer find the work satisfying; or they don't get along well with their boss or the owner.

The problem is that it's difficult to accurately assess motivation in the interview process because it can be faked. The candidate can appear to be energetic, motivated and competent. In order to determine if someone is truly motivated to do the work, you must ask a series of questions and get examples from the last several positions the candidate has held; how the candidate has exceeded expectations; when the candidate was motivated to excel; and circumstances in which the candidate showed real drive and took initiative on the job. If a candidate cannot satisfy your concern in this area, I would not hire them, no matter how competent they may appear.

If you have someone onboard who is not motivated to do the work and has to be constantly over-managed to achieve average results, it's time to move on. You will be doing your employee and your organization a favor. If you know the employee is not doing the work that needs

to be done, so do other managers and their co-workers. Allowing the employee to stay simply sends the message to the organization that you are willing to accept mediocrity and sanction incompetency. Obviously, we live in a litigious society and you want to make sure that you've dotted the I's and crossed the T's, and there is a paper trail to support your decision to terminate the employee.

Bad hires are typically a result of a breakdown somewhere in the hiring process, so here is another idea to reduce bad hires. Before your next hire, make sure you have established, for hiring purposes, two primary performance objectives. These two objectives will outline the major goals that the candidate must accomplish in the first six months in order for the hire to be considered successful. These two performance objectives should be used to identify candidates. Your hiring decisions should be based on past performance and not on the candidate's presentation skills in the interview process.

The idea of hiring based on performance is not new. In his book, *Hire With Your Head*, Lou Adler, a noted



Dennie Noecker

recruiting industry expert, national speaker and one who has worked with many Fortune 500 companies, makes a compelling case for using performance objectives in hiring for any position.

It is very easy to be seduced by first impressions and make hiring decisions based on emotions. You must focus on performance, not presentation. Get example (See *Dennie Noecker* Page 25)

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...Robin Schuette

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to our team that we were addressing all aspects of wellness for healthy living. Whether it was establishing a 401K plan to assist with savings or reviewing safety procedures, all of our team communications, trainings and policies were part of an overall strategy to support the mission and vision of the business.

In addition, at the start of each benefit plan year, our communications tactics included itemizing all benefits for full-time and part-time staff in an overview of their hidden paycheck. For a wellness program to really take root, it needs to start with benefit plan design and a strategy to communicate mission and vision of the organization. Ultimately, our goal was to become the Number 1 employer of choice given the competitiveness in the fitness and spa industries for outstanding employees.

In launching our employee wellness initiative, we believed it was important for all staff to take part in our branded 5 Alive program, which was also a key membership benefit for the public and an important part of the Center's retention efforts. With each membership, we offered five essential appointments:

1. Cardiovascular Equipment Orientation (group format);
2. Strength Equipment Orientation (group format);
3. Lifestyle Consultation (one-on-one with exercise physiologist);
4. Nutritional Consultation (based on three-day food intake questionnaire and 15-minute overview with registered

dietitian on staff);

5. Personal Training Session (one-on-one with personal trainer).

Our goal in developing 5 Alive was to reinforce our mission of improving health and wellness for the public and our company. We also didn't want to overlook housekeeping, child care or spa personnel who may not have focused as much on their personal health and wellness as our fitness team. We also believed every staff member should have first-hand knowledge and experience in talking about 5 Alive, as every single employee was responsible for member satisfaction and sales.

In addition, we partnered with our health insurer to provide the entire employee wellness program online. We offered incentives through quarterly drawings (gift cards) for participation, with the 5Alive program being an important component. At the end of the first year, those team members who successfully completed all steps outlined for ACE were eligible for a discount on their monthly medical insurance premium.

Your team is your greatest resource, and you want them to know that helping them take care of themselves and their families is a priority. An employee wellness program is just the beginning, or at least just one aspect of a multi-level planning and execution strategy to create a wellness culture.

(As a medical fitness communications executive with demonstrated results in managing and enhancing brands, Robin is looking forward to helping your business expand its borders. Robin can be reached at: rschuette@medfitpartners.com)

...Dennie Noecker

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after example of how the candidate has succeeded in meeting these performance objectives in the past. If the candidate is unable to give you detailed examples, be very leery. One very important thing to remember: Unless you are certain that the candidate can do the job, don't sell the job to the candidate. Instead, be sure to make the candidate qualify for the opportunity.

An initial phone screening is a critical part of the hiring process and is a great way to avoid being overly influenced by first impressions, as we tend to be when the first meeting is face-to-face. During the phone screening, you can conduct a brief work history review, asking the candidate a few questions about each of the positions he held. These could be questions like: What was the work you were most proud of at ABC company? What was the culture like? Why did you leave? Also, look for gaps in employment and get explanations if any exist.

This initial phone screening will accomplish two things: You will find out if the candidate has the necessary skills and background to move forward in the process, and it will reduce the impact

of first impressions when you meet face-to-face.

One final thought: If you want to avoid bad hires and attract top talent, you must respect the hiring process. Remember that, as far as candidates are concerned, they believe the hiring process that your organization uses is indicative of the quality of your organization. If that process is too arduous, if it is disorganized or if it is unprofessional, that sends a clear message to good candidates to run the other way.

(Dennie Noecker is a Senior Executive Recruiter at JLR Associates and a 40-year veteran in the Health, Racquet and Sports Club Industry. Dennie can be reached at 609-430-8455 or dennie@jlrassoc.com)

**Make
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Obesity Crisis Accelerates

By: Will Phillips

There is no need to document the growth in the obesity crisis and its impact on childhood obesity, diabetes, liver failure and so forth. This is reported weekly in newspapers and news magazines around the world. More than 12.5 million children in the United States are classified as obese. Obesity contributes to 1 in 10

deaths, making it the second leading cause of preventable death in the U.S. Currently, the direct and indirect costs of obesity are more than \$190 billion annually. Childhood obesity has resulted in 47% higher medical costs compared to medical expenses for children with a healthy weight. Childhood obesity has more than doubled in children and quadrupled in adolescents in the past 30 years. In 2012, more than one third of

children and adolescents were overweight or obese.

Without getting fancy, there are two major causative factors. The first one is *what we eat*. The more sugar and salt and processed foods we eat, the more we add to the crisis. The food industry is committed to protecting its business models and resists proactive change. For an example, simply look at the struggle to put healthy food into schools and the lobbying by food processors against this.

The second causative factor is a *sedentary lifestyle*. Our modern world with cars, motorcycles, escalators and a move from the farm to the city reduce our need for manual work or even walking. In addition, schools are under constant budgetary pressure to cut out the frills, and one of those is exercise and activity. I believe there is significant data that students who exercise particularly early in the day do better in the classroom. In addition, this early morning school exercise reduces the need for Ritalin.

The Fitness Industry

We are in the business of fitness. We do this well with our members. Could we be doing better in our communities, particularly our schools? Could we as an industry justify the cost and effort as strategic philanthropy. This has been defined by the *Harvard Business Review* as philanthropy that is related to the purpose of your business, beneficial to the community and also to the business. Nothing could be closer to the purpose of our businesses than exercise and healthy living.

What A Few Committed Owners Might Do To Change Our Nation

Our industry could develop a national effort where concerned fitness clubs begin delivering daily exercise programs and services, such as nutritional information, in all elementary and middle schools in the United States of America, starting in third grade and adding a grade a year.

I believe that this can be accomplished at relatively low cost and investment; simply, a change of perspective. Here is a draft for a two-part program.

Part I - Develop materials and programming for elementary schools first. Later on, it migrates year-by-year into middle school. To do this, we need the exercise and nutritional experts who are already working in kids' programs in your clubs and summer camps. We must also connect and collaborate closely with national teachers' organizations and school



Will Phillips

superintendents on a state-by-state, city-by-city basis. Choosing one or two cities to begin with could create a model for doing this so that it could be self-perpetuating in other cities across the nation.

I believe we could find a sponsor for this, a significant supplier in the fitness industry, to get started and then engage some national foundations concerned with children's wellbeing and health. In addition, fundraising among our own club members could be significant. We might need experts in public education and fundraising; it is likely they may already be committed members of your club now!

Part II - The second stage would be to staff this with people who can deliver appropriate teaching, as well as lead the actual exercise programming. Your club has these people in it right now... *your members*. These are members who are enthusiastic about staying healthy and exercising, often your most loyal members, who are living examples of a healthy lifestyle. I believe your club has a significant percentage of members who would be willing to volunteer time to drive this most meaningful program throughout elementary schools in your club area.

This will succeed by understanding how to select the right people, how to train them, how to integrate them into the school system, how you as a club can manage volunteers and how we generate funds to develop materials and train instructors.

All these steps would be done as Jim Collins' *Good to Great Rifle Shots*: low-cost, low-risk and high-speed pilot programs to help learn what works and what does not. This is a Peace Corps-like program to enlist tens of thousands of healthy, fit club members to attack the obesity crisis at its root in children.

This is strategic philanthropy at its best. Build on skills, experience and knowledge that clubs already have,

(See Will Phillips Page 27)

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You Lost Me at Hello...

Why We Fail At New Member Integration and What We Can Do About It

By: Ron Alterio

If you are like most clubs in today's hypercompetitive markets, you know the importance of getting more of your members involved in programming or training. You also know that the most efficient and cost effective method of accomplishing this objective is to tap into the influx of new members coming in through your front doors each month. You have already invested the marketing dollars, they showed up for a tour and you have created enough value in your entry-level product (the membership) to get them to join. Now, it's simply a matter of booking that first appointment, having them show up and driving more PT revenue right? WRONG!!!

There hasn't been a more prevalent and consistent struggle in our industry over the last two decades than trying to get that new member scheduled for, and to show up to, that all important first appointment. When I ask clubs why they fail in this area, the excuses are plentiful. The most common ones I hear are: "The member doesn't want it," "They need to check their schedules," "They want to try it out on their own," or "I can't get my sales team to book it." The list goes on and on. However, these excuses are more often than not symptoms of a much bigger problem occurring inside the four walls of their facility. In fact, in almost every case, the true culprits of a poor set and show rate are: **the lack of a clear and well-defined purpose, an extremely watered down explanation and lack of coaching and accountability from management.**

Lets look at each one of these

...Will Phillips

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used to serve their larger community and simultaneously introduce our future members to exercise and healthy living. It is local and a significant contributor to us growing our market and polishing our reputation as an industry. It is a noble cause.

Getting Started

All we need to start is a few good club owners willing to meet, think and plan. In a few hours of thinking and planning, I believe we can produce a draft program that would be ready for initial funding to develop materials, programs and volunteer staff.

Next, we would seek a handful of clubs ready to make a difference in

three in closer detail:

1. The Purpose - If we don't teach our staff on the ground why this first appointment is so important to both the new member and to the business, they will continue to look at it as a task to check off their to-do list, something they are simply told to do. You need to help your team understand that scheduling this appointment is just as, if not more important than, selling the membership. The business needs the appointment scheduled because profitability from selling memberships has been extinct for years. Additionally, the new member needs it because guidance and help is exactly what they are looking for.

Bottom Line: Scheduling this first appointment is a win/win since both the new member and the business needs it to get where each one needs to be.

2. Lack of An Appropriate Explanation - If we look closer at ourselves, we would have to admit we fail miserably in this category. A few of the most common messages we deliver to the new member are: A free session with a trainer, time to discuss or talk about your goals, an opportunity to get weighed and measured... Hello!?! They already know they are overweight and out of shape; that's why they joined in the first place. Once the buying decision has been made, a new member wants to know where to start and what to do. They want to make sense of all this stuff you have in your gym. To the new member, your facility is a toolbox. They see the stuff you have in your box as tools. What they want now are

their community and begin piloting in the 2014-15 school year. During the year we would learn, improve and fine-tune the program. In early 2015, we might seek major foundation support to turn the initial successful rifle shots into cannon balls.

Are you ready to make a difference, a huge difference in your world? Contact me to explore this idea. When we have a handful of committed leaders, we will schedule our first working session.

(Will Phillips is the founder and CEO of REX Roundtable for Club Executives, and he can be reached at will@rexroundtables.com)



the instructions, an owner's manual, a road map or a playbook!

3. Lack of Coaching - You defined your purpose and you better aligned your messaging, so don't blow it by hiding from your staff or making the excuse that it's hard to drive success with part-time employees. The great retail companies have proven otherwise. The great ones like Starbucks, Wal-Mart, Best Buy, Target and Tractor Supply (and the list goes on and on) all huddle up before each employee shift and review who they are, why they do what they do and what the specific play is for that day. Remember, the new culture you are trying to create is fragile. The new focus of making the first appointment a priority is vulnerable. You need to remind your staff daily, you need to coach them often and then hold them accountable for specific outcomes. The great news is that you don't need lengthy staff meetings or designated coaching sessions to accomplish this. Short bursts of teachable moments at the front desk or out on the floor can be just as effective. Quick on-the-spot quizzes followed by high fives or some other expression of a job well done can make for very fun and engaging staff training. At the very least, remind your team daily of the purpose of the first appointment or the relationship it has with regards to the membership. Remind your team that the



Ron Alterio

membership is simply the toolbox. The equipment you have are the tools, BUT the first appointment is the owner's manual!

In the end, if you want more of your new members engaged and participating in PT or programming, you need to establish the *why*, create a member-centric *what* and spend time with your staff *coaching* and holding them accountable.

(Ron Alterio is the National Sales Director and PT Business Coach for the Visual Fitness Planner. If you need help with any aspect of your PT business, he can be reached at 717-645-3899 or ron@vfp.us)

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Spotting, Sparking and Capitalizing On Fitness Trends

By: Nancy Trent

While big corporations have big marketing budgets, innovative, smaller companies often have news. Media rely on cutting-edge companies to find out what the trends are in the industry. While having a brand and remaining consistent with it is of paramount importance for a fitness center, it's important to either be starting trends or capitalizing on them.

So, how can you determine the best direction to take your business and what the latest fitness customs are that will bring you profits? Here are some examples of how changing lifestyle are dictating customs in fitness:

Time Sensitivities: People say they don't have time to work out, so workouts are getting shorter and more intense.

Yoga Crossover: Yoga has become so mainstream and popular it's being incorporated into other types of workouts.

Injuries: The more people train, the more likely they are to get injured making "recovery" one of the biggest categories in fitness.

Personalization: People want to do what is right for their body type. They want the full attention of a trainer, even in a group. The increase in boutique fitness is catering to this desire.

Accountability: More and more people are tracking their fitness goals. Workouts need to show results digitally.

The popularity of fitness is so widespread, "fit" has become an "it" word that is being marketed as an add-on to non-fitness related items to increase their perceived value.

While fitness is always a hot topic, in order to remain trendy, you need to reinvent yourself once in a while. Like Miley Cyrus, fitness centers have to stay new to capture consumer attention. They also need to put a high value on branding. Fitness brands can have an image and followers like fashion items, food or electronics. So, are you setting trends or following them?

A trendsetter sees where things are headed and gets there first. There are trendsetters at various levels of the making of a trend:

•A trendsetter can be the one analyzing the marketplace to identify consumer needs.

•Based on the current direction of the market, a trendsetter can be the reformer trying to make changes to meet the needs

of consumers.

•Some trendsetters are early adopters of these new ideas.

•The most visible trendsetters are the ones who are spreading the word about the most recently identified trends and instigating others to follow.

Before you invest in adopting a trendy workout or equipment into your fitness center, determine its staying power.

Here is an acronym to help you determine if you are investing in a trend:

Cycle of A Trend:

TIME: Trends develop over a period of time.

ROOTS: Trends have depth and staying power.

EVERYWHERE: Trends slowly sprout up in different places.

NON-STOP GROWTH: Trends reinvent themselves.

DURABILITY: Trends are strong.

Balance what's new with how long it's going to take to bring in profits. Some fads can turn into trends over time and become classics.

Here is an acronym to help you determine if you are investing in a fad:

FASTTURN ON: Once a fad is discovered, it spreads quickly.

ALL OVER: Fads take on mainstream appeal.

DISAPPEAR: Fads can fade as quickly as they start.

Remember, some fads can turn into trends over time. So how are trends identified?

Observation: Are there any shifts in the marketplace? What direction does everyone seem to be taking? Are more people requesting overall wellness, nutritional advice, longer hours, more classes, specific equipment? Your customers can indicate trends.

Rule of 3s: Are you noticing any patterns? Typically, journalists require three examples before reporting a trend. Are there three equipment companies offering a very similar product? Your vendors may indicate a trend.

Media Coverage: Are your trade publications reporting on a new workout or equipment in the same month? Are you starting to hear members and colleagues ask about a new workout they saw in a magazine, newspaper or on TV? The

media may indicate a trend.

Adopting a trend isn't going to bring in new customers unless you spread the word. Public relations is critical to circulating your message to reach a large number of people through media that are most read, watched and listened to by your target audience.

Here are some tips to starting a PR campaign for a new trendy workout:

Point of Difference - What sets you apart? What do your clients think of it? What do you want to say about it? Do the media know about it? What do they think about it? These are all questions you have to figure out how you are going to get publicity and where.

Making News - Give media news they can use. Are you the first to launch the workout in your area? Does the workout relate to a specific season, holiday or occasion, such as Memorial Day, summer bathing suit season or June weddings? Are there recent reports in the news you can piggyback on, such as about advancement in new types of equipment that you are offering? Do you have testimonials and before and after pictures of consumers who tried a workout that worked? These are news pegs journalists can use to fit you into a trend story.

Spokesperson - Become a media darling, someone consumers love and media can count on. As you build relationships with media, you learn what the editors need, how they need it and when they need it. A good spokesperson is available to editors, is knowledgeable about their industry and gives good sound bites.

Messaging - Have an agenda. Before speaking with a journalist, develop points you must get across in each interview. Always be prepared to cite compelling statistics, numbers, anecdotes or personal experience to be more quotable.

Contacting Media - Who to call and what to say. Contact media in three categories: Consumer (national and regional), trade and business. Be prepared with a press kit containing a news release, biography, company background and photos. Ask to arrange an interview, a meeting, a demo, or invite them to an event or a press visit.

Publicity creates consumer demand, sells product, allows you to charge more for products and services, and starts trends.

It is important to evaluate the cost of adopting a trend. Some trends may be too rich for your taste. However, with slight modifications they can work.



Nancy Trent

While being on top of trends is important, before you adopt one you must be sure if:

- It is consistent with your brand.
- You can afford it. No trend is worth potentially going broke.
- It will do well in your fitness center. Did you put it through a test?
- Your vendor will support your efforts.

If you do not immediately know whether it is consistent with your brand, either your brand statement isn't strong enough or you need more information.

Before you hop on a trend, seek out vendor support. In some cases, they will create branching or leasing arrangements that are better for your budget:

- Will vendors support your marketing efforts by giving you marketing dollars or support through their own advertising or public relations campaigns?
- Will the vendor allow you to test the product or equipment before you agree to purchase it in full?
- Will the vendor bring in the equipment and do a trial before you purchase it in full?
- Will your vendor use your fitness center as a local showroom for other customers?

All of these are reasonable questions that your vendor should welcome so you are happy and fiscally fit to be a successful trendsetter.

(Nancy Trent is a writer and speaker, a lifelong health advocate, a globe-trotting trend watcher and the founder and President of Trent & Company, a New York-based marketing communications firm. She is a recognized expert in PR with more than 30 years of experience creating and managing highly successful campaigns. Nancy can be reached at 212-966-0024 or by email at nancy@trentandcompany.com. You may also visit www.trentandcompany.com.)

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Programming For The “Fun Of It!”

Determining Cost-Per-Head Benchmarks for Group Fitness Classes

By: Laurie Cingle, M.Ed.

Determining cost-per-head benchmarks for no-fee Group Fitness classes depend on a few factors:

- The city in which a club is located;
- The average class rate that instructors are paid in that city;
- The type of the club: budget, mid-priced, high-priced, etc;
- The current number of members;
- The capacity of the group exercise studio(s).

Step One - Calculate current cost-per-head for each individual class. In order to do this, accurate individual class attendance counts must be kept and recorded in a

spreadsheet or database. Three months of data is recommended before beginning. For each class, bear in mind:

- The time slot;
- Day of the week;
- Whether it is a “core” program, offered between 5 and 10 times a week in peak or shoulder time slots or a “niche” program offered 2 to 3 times a week in non-peak time slots. For example, core programs may be “Barbell,” “HIIT,” “Cycle” and “Zumba,” while niche programs may be “Belly Dance” and “Tai Chi.”

Step Two - Compare to average attendance. After calculating current class cost-per-head, compare it to the average attendance numbers for classes in that time

slot. Take this a step further by comparing by type of class (core or niche) across other time slots. Good spreadsheet skills are handy so the data can easily and accurately be analyzed.

Step Three - Set your benchmarks. Armed with the data above, set targets to be achieved over time to either increase the number of participants or decide to eliminate the class. For example, Club ABC pays their Monday 10:00AM instructor \$32.00 per class and averages 8 people per class. After calculating a cost-per-head of \$4.00 per head, a benchmark of \$3.00 was set to achieve over the next 3 months.

One club may pay lower-than-average instructor rates, so \$1.50 a head may be a good benchmark. Another may see attendances of 40 people or more so \$0.95 a head may be achievable. A third may pay their instructors more than \$25.00 a class so \$2.00 to \$3.00 per head is a reasonable benchmark.

Ongoing - Review these numbers quarterly. Set a plan to either grow or eliminate any class that can't meet the cost-per-head benchmark set and replace it



Laurie Cingle

with something more viable. See the **CLUB INSIDER** articles from June 2014, *To Charge or Not To Charge*, and February 2014, *The Group Fitness Program: Revenue Generator or Expense?*, for more insight.

(Laurie Cingle, M.Ed., is a fitness business success coach, club consultant and a member of the Leadership Team at Akron General LifeStyles. Laurie can be reached by email at laurie@lauriecingle.com.)

Advertising Directory

Norm Cates' **CLUB INSIDER**

The Pulse of the Health and Fitness Club Industry

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Thanks and Appreciation

At **CLUB INSIDER**, we are excited to be celebrating our **21st Anniversary** of this home-based health and fitness club trade newspaper! The thought that this newspaper was *founded to serve an industry I truly love*, and so that *I could become a Mister Mom for my son, Justin*, is still *intriguing and amazing* to us. I wish to extend our most sincere **Thanks and Appreciation** to everyone that's made this amazing 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 during our *first 8 years of publication*. **Thanks and Appreciation** to all of the folks at **Walton Press** in Monroe, Georgia. They've done an absolutely excellent job for us all these years and have printed every one of our monthly editions! **Thanks and Appreciation** to all of our **READERS**. Sincere **Thanks and Appreciation** to our **CLUB INSIDER Advertisers**, past and present, for their kind and dedicated support of this publication. It's amazing to know that we have several advertisers with over 15 years of continuous advertising with us. Plus, we have one advertiser, **National Gym Supply**, with over 18 years advertising with us and one, **Affiliated Acceptance Corporation**, with over 19 years as they have advertised in every single edition of **CLUB INSIDER** since the first month that we sold advertising in June, 1994! We also want to say sincere **Thanks and Appreciation** to all of our **CLUB INSIDER Contributing Authors**, past and present, who've contributed *hundreds and hundreds* of excellent articles to help our readers with their Best Business Practices. **Thanks and Appreciation** to **IHRSA** for all it does.

Sincere **Thanks and Appreciation** to my son, Justin, who started working part-time for **CLUB INSIDER** when he was just 8 years old (helping with mailings). This young man, pretty much behind the scenes for 20 years now, has truly been a fantastic partner for his Dad in **CLUB INSIDER**. Justin does our editing, publication layouts, all of our website design and maintenance, all of our bookkeeping and subscription processing work, as well as archive management and anything else that needs doing, including writing eight cover stories per year.

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

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

Norm Cates, Jr.

3 million Xbox One consoles sold.
1 million Xbox Fitness users discovering MOSSA.
1 thousand happy health clubs running 4,000 MOSSA programs.



Rich Boggs, CEO of MOSSA
(fka Body Training Systems)

Cathy Spencer-Browning, VP
Programing & Training of MOSSA
(fka Body Training Systems)

Terry Browning, President of MOSSA
(fka Body Training Systems)

For over 25 years BTS (Body Training Systems) has been delivering innovative and popular products and group fitness programs for health clubs around the world. Xbox One has recognized our commitment to engaging club members and creating an exciting atmosphere that gets people moving and, more importantly, gets results. Xbox One wants the same things for its new Xbox Fitness. We have welcomed Xbox One's desire to get people healthy and fit, whether it's in the comfort of their own home or in our customers' gyms.

BTS, through Xbox Fitness, is proud to launch MOSSA. Call it a hipper, cooler, more relevant name than Body Training Systems, but MOSSA still comes with your longtime friends, our dedicated team, and our never-ending commitment to giving you the best group fitness programs on the planet!

For more information visit www.MOSSA.net or call
800.729.7837 from US & Canada. Everywhere else 770.989.4700



Secrets Everyone Should Know About ALS!

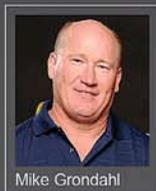
- Every 90 minutes, someone is diagnosed with ALS in the United States;
- The incidence rate is nearly identical to Multiple Sclerosis (MS);
- However, unlike MS, there are no effective treatments for ALS;
- Funding for ALS therapy development is urgently needed to move promising research forward.

Augie Nieto, the bravest man in the fitness industry, after eight years of not being able to move his arms, legs or breath on his own, is winning! His legs and arms are moving!

For anyone who has made \$1 in the fitness industry, we owe Augie Nieto, the trailblazer. Without men like him, we would not have an industry such as ours in which to thrive.

Augie brought the Life Fitness Company to the world!

All cardio grew from there.



Mike Grondahl

I know a little bit about today's industry, where 80% of usage comes from treadmills, bikes, ellipticals and arc trainers. Where I used to work just hit 5 million members and 700 units. Everyone in the fitness industry, from independents to chains and manufacturers, needs to show financial support.



YOU HAVE TO GIVE TO GET AND WHAT BETTER CAUSE!

THE GOAL

I asked Augie, "What is the most ever raised for ALS?"

He said, "\$6,000,000."

Then what should our goal be Augie? Knowing the answer any champion would give, he goes with, "\$6,000,001."

By March 14, 2015, we will raise \$6,000,001!



www.augiesquest.org