

Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry

Kim Manocherian and

New York Health and Racquet Club

The Home of Health, Happiness and Everyday Heroes



Kim Manocherian, CEO of New York Health and Racquet Club

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By: Justin Cates

The family business is an interesting concept, mixing elements from the business world and family dynamics to create an organization that offers a product or service. For some, it comes easy; for others, it is quite a challenge. In all cases, though, in order to succeed, a level of balance must be found, that of sound business concepts mixed with constructively handling possibly conflicting managerial styles. Crucially important to achieving this is communication. Going further, within the

health and fitness club industry, in order to succeed, another balance must also occur, that of the relationship between the club and its member and what is offered to them across fitness, social, entertainment and other spheres.

This month, I had the wonderful opportunity to speak with Kim Manocherian, CEO of New York Health and Racquet Club (NYHRC), a 9-location chain in New York City. With every interview, I always strive to find key topics that resonate throughout the conversation. Because of my background growing up in the family business of a group of health

and fitness clubs in the Atlanta area, and now, as Assistant Publisher of CLUB INSIDER, with my father, Norm Cates, as the Publisher, one of the key topics that resonated when speaking with Kim was that of family. However, this topic doesn't just relate to members of Kim's family who are involved with NYHRC. Vitaly important to NYHRC is the 'family' of staff that has been created over the years. And, equally important is the 'family' of members that has also been created and making sure they continue to feel that way.

Over time, for any business to sustain itself and to grow, evolution is

vital. The future of any business is built on the advancement of the past. Since 1973, NYHRC has been on the forefront of many things that later occurred in our industry. For example, as Kim will mention, in the '70s, NYHRC offered quit smoking programs, had nutritionists, a juice bar, hair salon and other amenities that were not the standard value-adds we see today. Now, with Kim at the helm as CEO of NYHRC, she continues to push this with the incorporation of the holistic wellbeing ethos. Further, she doesn't just talk about it, but she actively strives to create a place (See NYHRC Page 14)

The Emotional Cocktail

By: Derek Barton

Whenever Norm Cates asks me to write an article for CLUB INSIDER, I do it gladly. Besides Norm being an icon in the health and fitness club industry with his signature hat, I can't help but be caught up in his passion for his publication, which by the way is celebrating 23 years in early December.

In addition to his passion, what I love about Norm is his quest to tell the truth, the way he sees and feels it, and he's never worried about being politically correct. I love that quality about him. I grew up in a family where you never had to guess what anyone was thinking or feeling. They flat out told you! I guess that's why I

gravitate to people like that.

As Hemingway once said, "Writers need to have a built-in BS detector." I think that goes for marketers as well. You have to craft a message that cuts through the BS and hits people in the heart.

Successful people always seem to speak with passion from their heart and soul. Great leaders, companies and marketers know how to create and serve up what I call, an "Emotional Cocktail." Through their marketing mix, they continue aiming their advertising arrows at our emotions. If they are consistently great, sooner or later, one ultimately will hit its mark. Before we know it, we're sitting at their bar ordering those drinks because they make us feel good.

As he has done successfully in business, Donald Trump lately has been serving up emotional cocktails in the political arena. He seems to have the whole country stepping up to his bar. Amazing, huh? He truly illustrates my point here. Trump's political competitors have been serving up the same old boring drinks that have little or no effect on people. Even though Trump has no political experience, his business experience has taught him how to create a buzz in order to connect with people. His emotional cocktails so far are, excuse me, trumping the competition.

He has thrown away that same old boring script that his competitors continue to read from. Trump has no cue cards or (See Derek Barton Page 6)



Derek Barton

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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? When you get to the very last Note on my Norm's Notes this month you will see these words again: **Is America a great country**, or what? That's because, this month, I've taken considerable time to write to you and your team about the importance of expanding your business horizons by learning from others. My Note is all about **The Learning Season** as I've decided to name it, the **WHY** and **HOW** you can take advantage of that season and I give you analogies that should help in my effort to rally all of you to learn more about all aspects of our industry. **Keep on reading and Stay tuned until the end of these Norm's Notes. Now, some news.**

•**Planet Fitness** stock, with PLNT as the New York Stock Exchange (NYSE) trading symbol, is doing well even with the erratic yo-yo behavior of the stock market during the past month since they went public on the NYSE. **PLNT stock closed at \$17.60 a share** on the last trading day before our September deadline. Again, I'd like to extend sincere **Congratulations and Best wishes to the Planet Fitness folks** on this huge development in our industry. **Stay Tuned!**

•**Congratulations also to JON BUTTS, Founder and Owner of Muscle Up**

Marketing and his Team, one of our CLUB INSIDER Advertisers, on being named to the **#40 position on Inc. Magazine's annual list of the fastest-growing, privately held businesses in the United States!** They have also been honored locally here in Atlanta by **The Atlanta Business Chronicle as one of The Best Places to Work!** Check out the **Muscle Up Marketing Press Release on Page #22** with a **Publisher's Note** on it from me and their full-page ad on the adjacent page. **Way to go, Jon and Team!** Suffice it say that responding to Muscle Up Marketing's new Ad will definitely help you play catch-up on your winter marketing campaign preparation. Contact **Jon Butts of Muscle Up Marketing** at (800) 516 - 4480!

•**GUY CAMMILLERI, Managing Director of World Gym International (WGI)** sent me their very well done **8-page WGI Quarterly Newsletter**, which is on glossy paper and in full color. Highlights from WGI Newsletter include: (1) The launch of WGI's search for a World Gym Ambassador; (2) New gyms update: 3 new World Gyms in Canada, bringing the Canadian World Gym total to 30 and the newest U.S. World Gym locations in Merriam, Kansas and Gladstone, Missouri were mentioned; (3) World Gym honors went to World Gym Salisbury, Maryland, as it was named Best Gym in Wicomico County by Coastal Style Magazine and World Gym Victorsville, California, was named Best Gym in the High Desert by

Victorsville Daily Press; (4) Anniversaries: 20 years: Glen Burnie, MD., 15 Years, El Salvador, San Salvador, 10 Years, Union, California and 5 Years, Taiwan, Taipei and Springdale, Arkansas and Cheektowaga, New York; (5) The Upcoming World Gym Convention will happen on September 21st thru 24th with The Mirage in Las Vegas serving as the Convention destination. The Keynote Speaker is **CHAD HENNINGS**, a 9-year NFL veteran and before that, a former highly decorated U.S. Air Force combat pilot; (6) A Section on Retraining Members with **BILL WINDSCHEIF**; (7) A Franchise Advisory Committee Update by **WES HODGSON**; (8) A Vendor Spotlight featuring **Twin Oaks Software, Four Seasons, Precor, Jacobs Ladder, Muscle Up Marketing and Dynamic Strength & Fitness**; (9) An announcement of free creative services with the WGI contact person being **BLAKE MANNING**, who can be reached by email at **Blake.Manning@worldgym.com** or phone (206) 999 - 3319. Let me close this by saying the **World Gym International Newsletter was very well done and my congratulations to Guy Cammilleri!**

•**ADAM Zeitsiff** has departed from his role as **President of Jonas Fitness** to join **SaaS Health Company, h2wellness as Chief Sales Officer.** h2 wellness is a cloud-based, digital health, wellness and engagement company. Adam will be opening **h2's New York Office** later this



Norm Cates

year. **Best wishes, Adam, as you move on!**

•**A Police Appreciation Ball!** As many of us have *very disgustedly witnessed the awful things that are happening in the world of law enforcement in America with police officers being murdered in cold blood as if they were criminals being hunted down and shot*, I can't help but recall something I did way back in the mid 1980s to **benefit Atlanta's Police Men and Women. I produced and hosted The 1st Annual Police Appreciation Ball for the Atlanta Police Department in my Downtown Athletic Club (DAC), a 47,000 square foot club I built, owned and operated while the building was still called The Omni and after it had become known as** (See Norm's Notes Page 7)

About Club Insider

Established in 1993

22 Years and Counting!

CLUB INSIDER is published by Cates Media, LLC. in Marietta, Georgia. Those wishing to reproduce any portion of this publication may do so, provided it is not for resale in other publications. Reprints for commercial use are available for a fee by request.

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PRINTING and MAILING SERVICES - Walton Press

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Edition #261

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“Insider Speaks”

The State of the Health and Fitness Club Industry According to Thomas Plummer

By: Thomas Plummer

For sale cheap: Used DeLorean time machine. No longer needed. Just visited a chain gym and was transported back to 1995 without it. No longer interested in living in the past in the fitness industry.

• • •

We are living in strange times in the health and fitness club industry. Training gyms are popping up like cheap beers at a NASCAR race, the new middle price in the industry seems to be \$19 and we seem to have the leadership of the national chains mired in 1995 and who cling to failing technology and ideas proven to no longer work or to be desirable by the buying public.

During a recent visit to Orlando to meet with a successful entrepreneur who is considering opening a new training gym venture, I visited a local branch of a national chain. Once in the door, it was only about 30 steps to the front desk, but in reality, it was 20 years back in time.

The same too young and undertrained 20-year old staff woman was standing at the front counter that ignored me for about ten minutes while she handled the phone, a few needy clients and checked her cell phone twice. She then turned me over to a sales guy... And, he was perfect. He toured me as well as I have ever been toured. He asked me twice to sign me up, did the tour like he invented the concept, went after the objection when

I said, “I want to check with my wife first,” by answering, “Does a guy that looks as successful as you really need to check with your wife?”

Yes, he was well-trained, professional and could sell. It is too bad, however, that he was born so late in time, because if he was living in 1995, he would be the highest paid salesperson in the company. The sad thing, though, is he is working now and his old pitch was insulting, and while the gym was fairly new, it looked like it just emerged from a cloud in an old Sci-Fi movie where the fog creeps along and suddenly you pop out in another time. It was 1995 struggling to be relevant in 2015, and it just doesn't work anymore.

We have the wrong guys selling the wrong products in the wrong physical plants, and yet, we wonder why the chains struggle? Whoever trained that sales guy trained him for a client that no longer exists. Do you really think that a 28-year old salesperson will sit in an office and make 100 calls a day or try to set 20 appointments before he goes home? Do you really think that a potential client is going to get excited about bright and shiny versions of fixed equipment that were designed ten years before he was born by guys who have been dead for 30 years?

So little changes in these gyms that time truly stands still. Too much equipment, the corral for personal trainers, the stereotypical group room used a few hours a day with mirrors on three walls and the small functional area in the back but

she promised to take care of it and make it even better.

That emotional cocktail my mother served up got her elected. Her arrows kept hitting the target and Gloria Barton became a 3-term Mayor in Burlingame, a town of 28,000 people on the San Francisco Bay. When she died in 2004, the city planted a tree and built a park bench in her honor. They also erected a statue at the library, and her name is on the city's Walk of Fame. What I love most is her picture in Burlingame City Hall among all the past Mayors, smiling among all those guys.

There's something intoxicating about people who speak honestly with passion and commitment and who truly want to make something better. So, give me the Norm Cates, the Donald Trumps, the Richard Bransons, the Steve Jobs and the Gloria Bartons of the world. I don't want the same old rhetoric, whether it's an editor, politician, CEO or an advertisement. Cut the BS. Throw away the script and speak to me as a human being. Emotionally connect with me!

We would never like a song, a TV

show or a movie if it didn't connect with our emotions somehow. They all have to create a buzz in order to motivate us to reach into our pockets and pay for any one of those. It has to mean something for us to spend our money and valuable time on it.

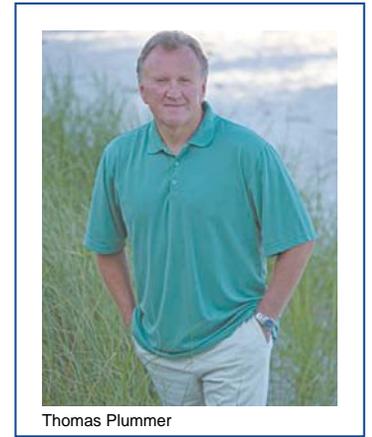
Marketing our businesses should start with the question, “Are we serving up an emotional cocktail?” Are we as individuals? Are we as a company? Do people truly relate to our message? The most successful CEOs of any company already know the answers to these questions. So does their marketing team.

The health and fitness club industry is a service business similar to the hotel industry. Both have different size venues with different amenities and prices. The bottom line for both, you'd better enhance that period of time when your customers are there and serve those emotional cocktails or they will never come back.

Norm Cates is one hell of a bartender. He's been serving up emotional cocktails for almost 23 years now. I've been drinking at his CLUB INSIDER bar for 20 of those years.

Five Observations About The State of the Health and Fitness Club Industry

Here are five observations about the state of the industry. These observations are based upon the thousands of clients we have coming through our workshops and lectures each year and work done with the guys who are trying to figure out why what they did that made them successful 20 years ago that no longer works today:



Thomas Plummer

1. There will be a backlash against the “too big” gyms: The client is more sophisticated, at least the ones that pay all the bills, and being one of thousands is not the type of experience the modern client wants. Intimate atmosphere, strong supporting services, being known by the people you pay and amenities that make the workout survivable are all things the mainstream world will have to figure out how to change.

2. Modern fitness takes space: Mainstream owners cannot stand empty space. There is a need to stuff it with too much everything. Modern, holistic training takes space to move and to use the equipment, such as sleds, that the consumer wants. Instead of changing the culture in the gyms and
 (See “Insider Speaks” Page 21)

...Derek Barton

continued from page 3

teleprompters. He shoots from the hip. Sometimes, he gets caught up in his passionate rants and crosses the line. Comedians do it all the time. Why? Because we, as an audience, love it! It's exciting, unpredictable and downright entertaining.

From my 30 years of marketing experience, I understand people's gravitation toward people like Trump. I understand that emotional connection he has on people. I witnessed that kind of connection back in the '70s when my mother ran for Mayor of our city in Northern California. Like Trump, she had no political experience. Matter of fact, she was not even a businesswoman and never ran a company. She was a housewife who focused on raising her three sons before she focused on herself. Like Trump, she wasn't afraid to give her opinion on any subject. She spoke from her heart and soul. She was bold and brave in the political arena and her message was clear. She loved her city, and

I have enjoyed his company, along with his son, Justin. Happy Anniversary, my friends! Another round, please!

(Derek is a much sought after public speaker on marketing, advertising, branding and customer service. He is the former Senior Vice President of Marketing at Gold's Gym International who helped build Gold's Gym into one of the most respected and recognized brands in the fitness industry. During his two-decade tenure, Gold's Gym received numerous awards and accolades for its innovative marketing, with many ads being reprinted in advertising and educational textbooks. In 2005, marking his 20th year of building and protecting an American Icon, Derek and Gold's Gym were featured in America's Greatest Brands book. In 2006, Derek formed Barton Productions, a marketing consulting company, which helps its clients become more valuable and meaningful by differentiating themselves from competitors through improved branding, advertising and customer service. Derek can be reached at derek@bartonproductions.com)

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...Norm's Notes

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CNN Center. While I know such an event might not be something you would want to do *all alone*, like I did, I also really do think that these days, in this bizarre world we're living in, that local club owners in our communities could get together for this cause and sponsor something like a **Police Appreciation Ball** event for your local police men and women and other law enforcement officials. Think of it this way, leadership in our communities is an important role that club owners and operators can play when it comes to honoring those who protect and serve our communities in law enforcement. I can also tell you that if, I had a club today, I would go from club to club in my community and would put together a coalition of local club owners to support our law enforcement officials with such an event. In closing this very important Norm's Note, I want you to know that over **600 Atlanta Police Officers and their wives and girlfriends who attended our Police Appreciation Ball at my DAC really appreciated it**, as did then **Mayor Andrew Young and the Atlanta City Council**.

•**The Surgeon General** has declared that walking at a fast pace at least 2.5 hours a week is great medicine and highly recommended. I'm glad to hear that because, in *November of 2000*, I started walking 15 minutes every day and gradually increased my daily walking time by five minutes every week until I was walking one hour a day. So, since 2000, I have been walking 3.2 miles a day in one hour, and I've now walked an estimated 15,000 miles. Yes, that 15,000 miles was not a typo. Sure, I'm still a big dude... a guy who still needs to lose more weight, haha, after actually having lost 100 pounds twice in my lifetime! But, as many do, I gained a lot of it back after reaching those two goals. Now, virtually without fail, I walk 3.2 miles a day, and the truth be told, I have NEVER felt better. My last physical showed my cholesterol down about 100 points and my blood pressure in the normal range. And, frankly, taking my one hour walk every day of my life is one of the great joys in my life along with my love of football. Here's a good one for all of you to laugh at. **Enjoy!** About a year ago, I made the decision and a goal to go with it... to live to be 100 years old! About a month ago, I dreamed up a slogan to promulgate my efforts to reach my goal. My new slogan is: **"I'm gonna live to be 100 if it kills me!" DO LAUGH and ENJOY** my slogan and adopt it if you wish. But, **DO NOT** count me out because my Dad lived to be 93, and he would still be alive today at age 97 were it not for a terrible freak accident. **So, STAY TUNED Folks as this Geezer Rolls On!**

•By the way folks, **IF the Good Lord's willin' and the creek don't rise, I'll turn**

70 on January 17, 2016. I'm gonna throw myself one hell of a 70th Birthday Party on Saturday Night, January 16th, and you're invited! Save The Date, and stay tuned for details in upcoming months! If you've never been to one of my parties you really should attend... as I'll guarantee you'll have a really great time! Remember that I "Make It FUN!"

•**The Club Industry Show** will be in **Chicago October 7 - 9**, and if you've not yet made plans to attend, it's not too late! Two of the *special events* will be **RICK CARO's CEO SUMMIT**, which is now in it's 5th year. And, there will be **BILL McBRIDE's Leadership Track**, which will include presentations and participation by **BILL McBRIDE, former IHRSA Chairman and Partner in Active Sports Clubs; BRENT DARDEN, former IHRSA Chairman and now club consultant; ALLISON FLATLEY, current IHRSA Board Member; and FRANK ANCHARSKI, a veteran club consultant.** Of course, I want to urge you to attend the Club Industry Trade Show, and in particular, to visit our terrific advertisers whose names appear below. Our advertisers are great folks who'll treat you right!

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Iron Grip Barbell Company	#516
Jonas Fitness	#332
Motionsoft	#733
Sport & Fitness Insurance	#638
Visual Fitness Planner	#634

•**24 Hour Fitness' 400+ clubs** and **DAVID PATCHEL-EVANS' 300+ Goodlife Clubs** have announced a new reciprocal membership agreement so that traveling members from both club groups **may use all 700 locations.**

•**ALS-TDI** has announced that it now has **over 200 patients** enrolled in the **Precision Medicine Program** to find a cure for **ALS, a/k/a LOU GEHRIG'S DISEASE.** Check out the **Press Release on Page #17.**

•**Congratulations to PHIL WENDEL,** leader of **Charlottesville, Virginia-based ACAC, The Atlantic Coast Athletic Clubs,** as he announced the acquisition of **TIM and LIZ RHODE'S two remaining Maryland Athletic Clubs.** Check out the **Press Release on Page #28.**

•**Ohlson Lavoie Collaborative,** a prolific design firm, has announced the opening of their **new Southeast Region Office in Orlando, Florida.**

•**What's the oldest health club in**

America? Some may say it's **RED LERILLE's Club** in **Lafayette, Louisiana.** That's what I thought, too, until I heard from **TRACEY BOURDON** of **SUSAN K. BAILEY Marketing and Design in Canada** (See the **SKB Ad on Page #17**), and she told me about their client club, **Wareing's Gym, in Virginia Beach, Virginia** owned by **MIKE WAREING** and principally operated by Mike's son, **JAKE.** Red Lerille was **Mr. America in 1963,** and he's the man whom I believe is the world's best single health club/gym owner/operator anywhere. Red opened his club, an amazing place that's now just simply called **RED'S, on January**

13, 1963, and I thought Red's might be the oldest health club in America. Then, I was informed by **TRACEY BOURDON** that Wareing's Gym was originally opened by **Wareing's Father, JOHN WAREING, in 1960.** John operated the gym until 1978 when he retired and turned it over to his son, Mike, who in turn is pretty much passing the operation on to his son, Jake. So folks, **Stay Tuned** for our **October Cover Story,** where we will share the story of the oldest health club in America, **Wareing's Gym!**

•**Is America a great country, or what? I** (See *Norm's Notes Page 8*)

STRATEGIC PARTNER WANTED TO DEVELOP GROWTH STRATEGIES AND NEW WORKOUT TECHNOLOGIES IN SOUTHERN CALIFORNIA

Coast Fitness, a brand new 42,000 sq ft cutting-edge health club located near LAX, is looking for a strategic partner to help expand its geographic reach, product development, access new technologies and share business resources.

Contact owner@coast-fitness.com for further information.



COAST FITNESS
SOUTH BAY
www.coast-fitness.com

...Norm's Notes

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have written some of the following thoughts before, but due to the many *new readers* CLUB INSIDER has these days, I'm going to share some of these thoughts again. That's because what I call **The Learning Season** is almost upon us with the upcoming **Club Industry Show October 7 - 9 in Chicago**; the **Athletic Business/MFA Conference and Trade Show coming to New Orleans, November 19 - 21**; and then the **35th Annual IHRSA Convention and Trade Show coming to Orlando, March 21 - 24**, I think it's important as

your **Tribal Leader Since 1993** suggests to industry rookies, and YES, even the veterans in this industry that **THEY can learn in our ever changing, ever moving, always different, always dynamic industry**. The key is to **Just Do It!** and make the investment in dollars and time that's necessary to put yourself in a position to learn new things about our wonderful industry. Let me illustrate my point with the following commentary on being pioneers:

Pioneers You Are!

Think of what America was like

back in the 1800s as shown in the terrific **AMC TV Show** production, **Hell On Wheels**, that immerses the viewer into the construction of the first railroad across America... across a country settled only by our country's Native Americans of a variety of tribes. Just imagine how difficult it was for those workers whose job it was to lay one railroad tie at a time and one section of track at a time. This endeavor is even more amazing when one thinks about how long one mile actually is. It's really hard to fathom the idea of what it must have been like for these brave American pioneers to build the first coast to coast railroad, an endeavor that was 3,000 miles long.

But, you may be thinking, "**Geez! Come ON, Norm! I'm busy here! What in the hell has the TV show Hell On Wheels got to do with our industry and our club businesses?**" **Good question...** let me tell you what it has to do with our industry. I'm using this reference to illustrate an opinion I've had for a long time, and that is that **YOU**, and your brethren in our industry across the country, **are true Pioneers...** pioneers just like those men who helped build the first railroad across America.

Imagine that you and I were on this journey and the work crews had just departed from the East Coast of the United States, and we're heading to California; our industry's 3,000-mile journey has barely begun. I say this because you and your peers are laboring away in an industry that's still really a baby... an infant industry when compared to other industries. An industry that, at best, is only about 70 years old. And, consider the fact that your club businesses, and all health and fitness club/facility businesses everywhere, are in fact, pioneers in America and around the world. It's an industry we all love, but it is still an industry that's a baby. We are still learning. It is still changing... still improving... still growing. Were you to put this example, and my concept on a map and measure it, our industry might only be in Western New York State with another 2,800 miles to go to get to the Pacific Ocean. They had a long way to go to reach the Pacific. We, as in

industry, have a long way to go to reach "our West Coast," as well.

Okay, enough about railroads. Consider the restaurant and the hotel industries... Both of these vital industries are centuries and centuries old. Now, compare our fledgling 70-year old industry to those two industries. Imagine the learning processes those two industries have gone through over all those centuries and the changes they've made in their businesses from what they'd learned the hard way along the way.

Think of the learning process our industry has been going through for some seven decades now. Think of the changes you've seen even since you've been in our industry. As I think of my 40+ years of involvement in our industry, I too, think of that learning process and those changes/innovations and advances I've seen in our industry. I think of my early days in the club industry way back in the mid-1970s. Just a few of you reading this have been in this industry that long. But, like you, I have many experiences from my years of involvement, and I think of the things I've learned and how I've learned them (Ha! I usually learned the hard way at a great, and often unneeded expense!!!).

I think of my earliest days in our business when there were very few fitness centers across America, but I visited all of them I could find anywhere to see what those club operators had built, how they equipped their facilities, how they staffed them and how they operated day-to-day. I spoke with and visited in person as many owners during my travels as I could find. And, because of being in the *right place* at the *right time*, I fortunately found myself involved in two trade associations whose purpose it was to teach people about our industry, help them improve their operations and provide them with "**contacts**" across the country with peers they meet at conventions.

The National Court Club Association (NCCA) was a Trade Association created by Chicago area racquetball
 (See *Norm's Notes* Page 10)



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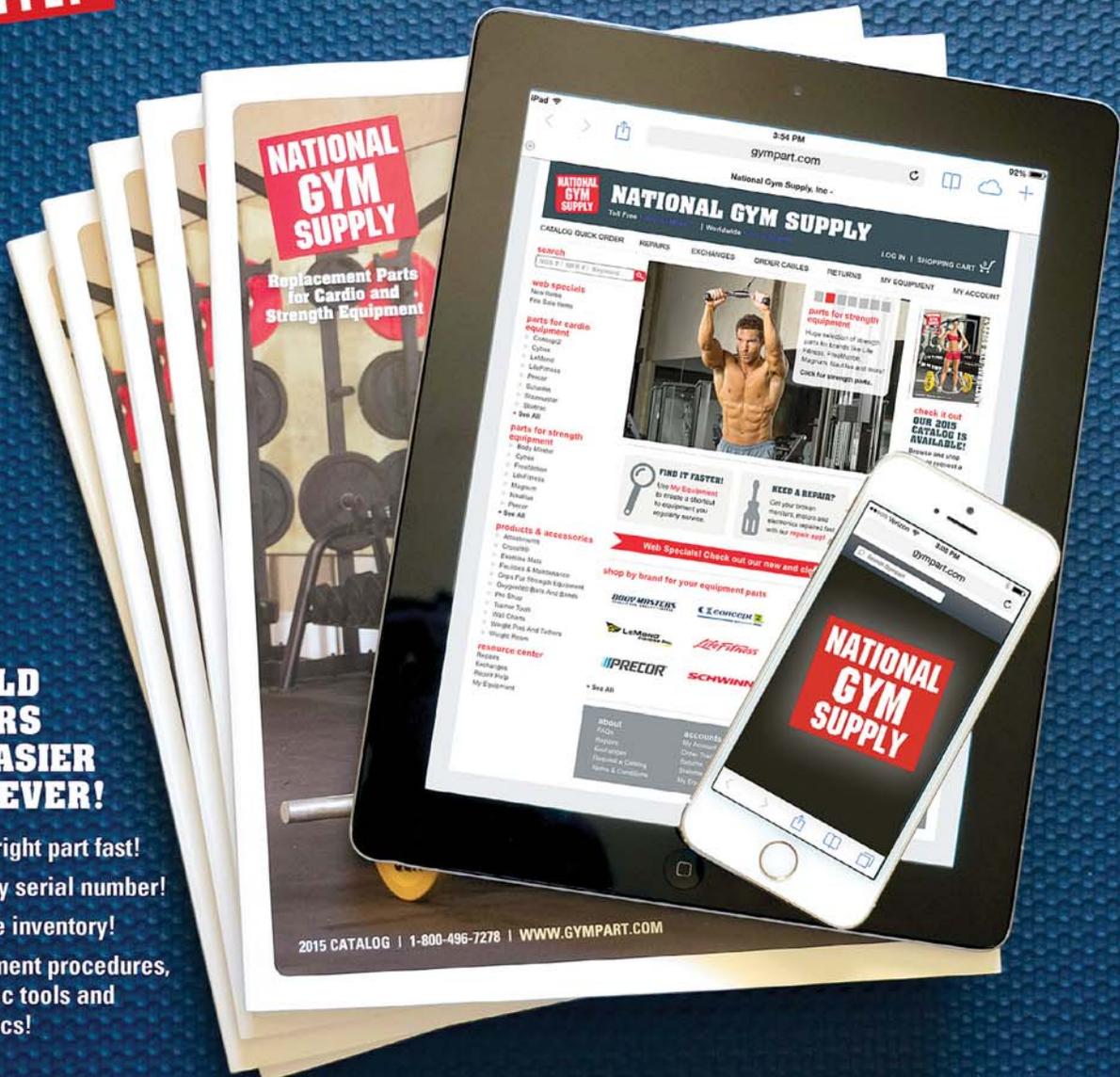
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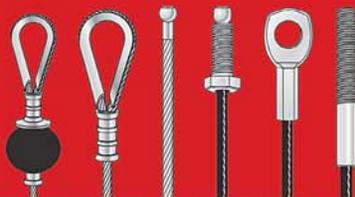
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...Norm's Notes

continued from page 8

club owners **JOHN WINEMAN, BOB FITZGERALD and JIM BRONNER** in the mid 1970s. I owe my first involvement with NCCA to my former Partners, **RICH BOGGS and LYLE RAY IRWIN**, now owners of **MOSSA and The STEP Company**, who suggested that I become involved in NCCA leadership while we were at the NCCA convention in Sarasota, Florida in 1978. In 1978, at that NCCA Convention in Sarasota, Florida, **RICK CARO** and I were nominated and elected to the NCCA Board of Directors, and

that's when and where I met Rick, my good friend for 37 years now.

And, we have the soon to be 35-year old **IRSA**, now called **IHRSA**. While Rick Caro and I were serving on the NCCA Board, he was also honored to be chosen to serve on the **Board of Directors of The National Tennis Association (NTA)**. While Rick was attending a Board Meeting, he looked at one meeting agenda when he meant to be referring to the other one. With more scrutiny, Rick came to realize the similarities between the issues on these two Association agendas, and it caused him to conclude that the two groups, NCCA and NTA, were *very similar in that*

the many challenges that tennis clubs might have were the same challenges that racquetball clubs owner and operators had. The great idea came to him to merge the two groups to create a bigger and better trade association for our industry, which included fitness. So, in 1981, Rick and I founded what we called **IRSA**, along with five others (The H for Health was added in 1994). We now approach our **35th Annual IHRSA Convention and Trade Show in Orlando next March**, and I can't help but take a moment to say, "**Thanks Rick,**" for dreaming up **IHRSA**, our great Trade Association that **now has over 10,000 member clubs in over 75 countries!**

Okay, I'm done with the history lesson. What I really want to tell you is that learning is the single most important thing you can do to make more money in your club(s). So, if you're a club owner, operator or manager, you must learn a lot more than you know now in order to make that business you've created with blood, sweat and tears even more successful and enduring over the long haul.

First in my book, you have **CLUB INSIDER** from which to learn. I'd be a fool not to toot our horn as **CLUB INSIDER** being the #1 printed and online source of learning in the industry. Period. Just look at this September edition! This month, we are offer six **Contributing Author** articles, any one of which might make a huge difference in your business. In case you've not come to realize it, I have recruited a world class Team of **Contributing Authors** for this publication. And, I have deliberately sought authors with specific knowledge and talents in certain disciplines whose writings will advance the state-of-the-art your club operations. The goal of our **CLUB INSIDER Contributing Author Team** it to help you perfect each discipline that you need to make your club a roaring success. By reading their articles, taking notes and discussing ideas with your Team, you will acquire knowledge that will help you improve your club's performance in our industry, and it will put more money on your bottom line. It is as simple as that. Thus, **The Learning Season.**

CLUB INSIDER is not just a health and fitness club industry trade journal. **CLUB INSIDER** is a teaching tool, and if you're not reading, you're truly missing the boat if your goal in our wonderful industry is to make a buck. **Don't miss the boat, folks!** Read and truly study the contributions we publish for you because they are in this publication to help you make your club a profitable and successful business venture that will help you provide for your family. As a Pioneer in our industry, you owe it to yourself, your business, your employees and your members to get as good as you can get at what you do, which is to own and operate great clubs.

Finally, please **DO** attend and support our industry's learning opportunities:

•**The Club Industry Show, October 7-9th in Chicago;**

•**The Athletic Business/MFA Conference and Trade Show, November 19-21 in New Orleans;** and

•**IHRSA 35 in March 21-24 in Orlando.**

I wish you an outstanding **Learning Season!**

•Earlier in these **Norm's Notes** I mentioned our **Contributing Authors** and the **value** they bring to you through **CLUB INSIDER**. But, what I did not do and will do now is to say **THANKS** and express my **SINCERE APPRECIATION** to all of our **Contributing Authors**, past and present, for helping our industry become more professional. Good on you all!

•And, what a dummy I'd be if I didn't extend the same **Sincere Thanks and Appreciation** to all of our **Advertisers**, past and present, for their support of **CLUB INSIDER!** I urge all of you to do business with our **CLUB INSIDER Advertiser Team** because they're terrific people who have great, time-tested services and products, and they'll treat you well, fairly and as if they care, **because they DO CARE!** Also, please don't forget to take the **Advertiser Directory** I wrote about earlier, and remember to visit our **CLUB INSIDER Booth #539** and our **Advertisers!**

•**Thank You** all for reading **CLUB INSIDER!**

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•**Never forget!** As I wrap up this month's **Norm's Notes**, today is **September 11, 2015.** At the precise moment of the 9/11 attacks 8:37 AM, I remembered the nearly 3,000 people who were murdered in the attacks on the **two World Trade Center Towers** and the **Pentagon in Washington, D.C.**, as well as those who died on **United Airlines Flight 93** that crashed in a **Pennsylvania field** because the passengers on board refused to go quietly and fought the hijackers, causing the plane they were in to crash before it, too, could be flown into another major American landmark such as the **United States Capital Building** or the **White House.** May all of those lost on **September 11, 2001 Rest In Peace.**

(See *Norm's Notes* Page 12)

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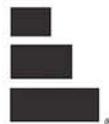
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Bill McBride's Club Industry Show Fitness Leadership Track

BILL McBRIDE, President and CEO of **Active Sports Clubs** and former **IHRSA Board Member and Chairman**, is one of those presenting at **Club Industry in Chicago October 7-9th**. Bill is chairing the **Fitness Leadership** track at Club Industry, and he's invited you to attend the six sessions, which will offer business, operations and programming insights to leaders in the fitness industry. Bill has assembled a strong group of speakers to share their expertise with you, including:

• **BRENT DARDEN** who will speak on **Leadership and Management for Fitness Leaders and People Performance for Fitness Leaders**;
 • **FRANK ANCHARSKI**, who speak about customer service in his presentation entitled, **Unlocking the Service within Us**;
 • **ALLISON FLATLEY**, who will share her expertise in her session **Programming for Fitness Leaders**.
 • Also, Bill will speak on **Strategy and Financials for Fitness Leaders**.

The all-day session will wrap up with a panel on Thursday morning and reward the attendees that have participated in at least four of the six sessions with a certificate of completion in the series. Bill urges you to join him and these dynamic speakers at the **Club Industry Show in Chicago!** If you have any questions, Bill can be reached by email at **BillMcBride@BMC3.com** or by calling **(415) 299 - 9482**

Club Industry hosted a focus group this past year that I was invited to participate in and the topic was Show Relevancy. There were some heavy hitters in the group, and the topic kept coming back to relevant education. If the education were stellar, the attendees would be there, and if the attendees are there, the manufacturers and suppliers should be present and will be happy on their ROI.

Over the last several years, Rick Caro has successfully developed and executed on the CEO Summit, a must-attend event for the CEOs in our industry. So, the question was how do we get the CEOs to bring others for the benefit of the educational components? Pam and Marty invited industry veterans to develop tracks that would truly deliver educational content to the participants. The track I was asked to coordinate was on Leadership.

I've invited some of the best in the industry to participate, and they willingly agreed: **Brent Darden**, **Allison Flatley** and **Frank Ancharski**. This will be an all-day program culminating with a panel discussion, and the attendees will be awarded a certificate of completion for attending at least four of the sessions. While the show will have many other worthwhile tracks and sessions, I'm passionate about our Leadership Track and hoping that the CEOs attending the CEO Summit will bring key team members for this program. The CEOs and attendees won't be disappointed unless they miss it!

We spoke with Bill McBride, and this is what he had to say:

As Club Industry embarks upon its 2015 Conference, I wax nostalgic. I'm turning 50 right before the big show. Club Industry was the first show that invited/allowed me to be a presenter. A mentor told me if I wanted to speak nationally, I needed to do a local trade group and then just maybe get to Club Industry and IHRSA. I was involved in MACMA and became the President of the Association. I applied to speak at Club Industry. A gentleman many of us love, Howard Ravis, gave me my big break and allowed me to present at the Club Industry Show in Chicago. I came back year after year while I was on the East Coast.

Club Industry went through some transition, and I moved out West and wasn't involved for a number of years. Then, I re-engaged with Pam Kufahl and Marty McCallen in 2011 and began getting more involved with the Club Industry Show.

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(L to R) Allison Flatley, Bill McBride, Brent Darden and Frank Ancharski

...Norm's Notes

continued from page 10

And, may their families find comfort in knowing that we all care greatly about their lost loved ones, and we always remember them, especially on this iconic day.

• God bless all of our troops, airmen and sailors worldwide and keep them safe. Thank you, Congratulations and Welcome Home to all of our troops who have served in Iraq, Afghanistan and around the world.

God bless you and your family, your club staff, your members and your club(s). God Bless America!

(Norm Cates, Jr. is a 40+ year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of CLUB INSIDER, now in its 22nd year of publication. Cates was IHRSA's First President, and a Co-Founder with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of its highest honors. Cates may be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)

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...NYHRC

continued from page 3

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I invite you to read on as we discuss all of this and more with **Kim Manocherian**, CEO of New York Health and Racquet Club.

An Interview With Kim Manocherian, CEO of NYHRC

CLUB INSIDER (C.I.) - Where were you born, and where did you grow up? Where did you go to school and what did you study?

Kim Manocherian (KM) - I'm a born and raised New Yorker and grew up in Westchester. I went to undergrad at NYU where I studied psychology and marketing.

C.I. - Your father, Fraydun Manocherian, founded NYHRC in 1973, so you grew up around the family business. Please tell us about that experience.

KM - Many people who grew up in a family industry can probably relate to the fact that, while it's an unconventional education, it's a deep dive. It runs in your blood, and it's so different because you don't realize you are learning and living the business at all times. It's at the dinner table, in every conversation and during holidays. I spent my formative years in the health club business, first tagging along with my father, and later, learning all the facets of the industry by serving in various roles, from reception to management and marketing.

Growing up, I liked doing well in school, but my father wanted me to find a balance between schoolwork and athletics. Exercise was, and still is, very important to him. He's 83, and he works out seven days

a week. The first health club was actually modeled after his home.

C.I. - The Manocherian family has been in the real estate business for years. How did the club concept come about? What was the original goal for the clubs?

KM - When my father built the 76th Street location 42 years ago, there was nothing like it in the city aside from New York Athletic Club, which was a men's club, and Jack LaLanne's. We were one of the first full-service coed luxury lifestyle brands. My father had a bad back from lifting weights when he was young, so he strived to find the kind of exercise that did not put a strain on the back. Swimming was very important to him because it was a safe way for his body to heal. That's a major reason why our clubs have saltwater swimming pools.

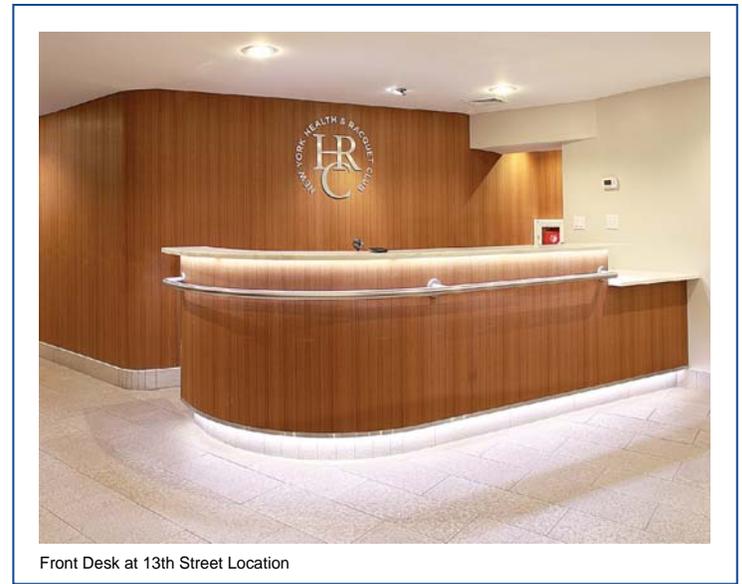
Our goal was to not only provide New Yorkers with a place to work out, but to really offer them a second home for a healthy, balanced lifestyle. For example, in the 1970s, we offered quit smoking programs, we had nutritionists, a juice bar, hair salon and more. These were all firsts for fitness clubs at the time.

C.I. - When and how did you begin your own career with NYHRC? What was your first position and responsibilities?

KM - More than 40 years ago, I worked the front desk at 76th Street, our first club, which was called New York Health Club. There were no computers, and I checked people in manually, answered phones and knew members by name. I reported to the General Manager. Some of the GMs I worked with during those first years really influenced me in my life.

C.I. - Please take us through the evolution of your career with the NYHRC.

KM - After I was promoted to General Manager, I worked in sales. Even though there was no real competition at the time, I thought it was important to let people



Front Desk at 13th Street Location

know their options and to inform them about what else was out there, in addition to our club. Then, in 1981, I managed the opening of the 56th Street location. The night before we opened, the entire staff was there all night, and we really felt a true sense of ownership. I am still in touch with my staff from there. A few years later, I moved to corporate and worked in PR. After a brief hiatus, I returned in 2012 as the CEO.

C.I. - Concurrently with your career, please take us through the evolution of the NYHRC as it has opened nine locations across New York City.

KM - We had no idea that fitness was going to be such a craze when we opened our first location on 76th Street. The club was such a success that, within a couple years, we opened 13th Street, then 50th Street, then Rockefeller Center, had a partnership with the wildly popular Studio 54, then opened 45th Street followed by 56th Street, Whitehall, 23rd Street, Cooper Square, and most recently, 21st Street.

C.I. - Given space requirements and the lack of it in a densely populated city such as New York, what have been some of the challenges with the facilities?

KM - NYHRC is the 'training ground' for our family, so when some of my nephews first came to work for the company, they

would give me 'tips' on how to make the club better. I remember one of them asking me, 'Can we make the pool bigger?' I thought, 'That's so sweet,' but the foundation is the foundation, and you can't go into someone else's basement to expand. The clubs we built in the '70s were buildings that were converted into health clubs because that was the only option at the time. So, those clubs were built in accordance to each building's existing facilities including its square footage, ceiling height, etc. The newer clubs, however, were built as health clubs.

C.I. - The NYHRC really opened up the corporate market for the health club industry in NYC. What made it so successful in this endeavor?

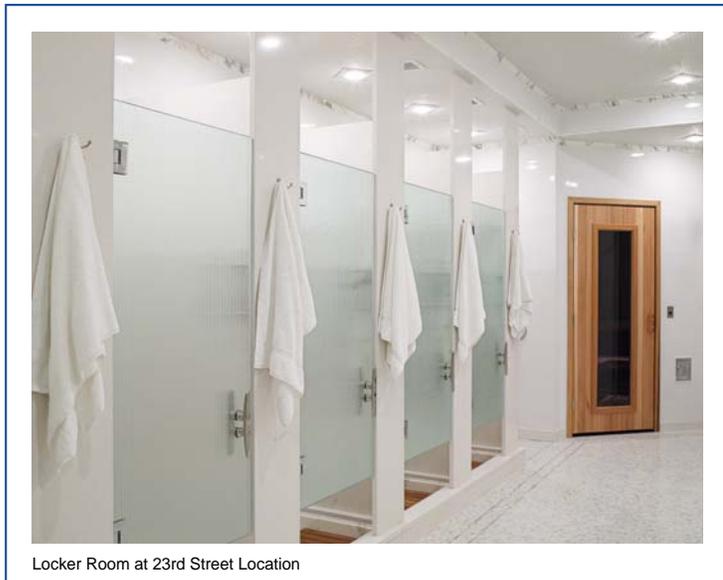
KM - NYHRC was a pioneer of lifestyle fitness, and from the time we first opened our doors in 1973 through today, our goal was to not only offer New Yorkers a home for health and happiness but to also create real relationships with our members and to build a true sense of community. NYHRC is more than a business, and it's very important to me that our clubs are a place where our members can nourish their soul and feel inspired to maintain a healthy, positive lifestyle. When you have a genuine interest in your members and are truly invested in creating the most personable experience for them as possible, it really shows, and I think that's what has made NYHRC so successful for the past 42 years.

C.I. - Please describe the typical NYHRC services, amenities, etc.

KM - Our clubs offer over 600 weekly classes, a personal training program, saltwater pools, eucalyptus infrared saunas, beautiful locker rooms stocked with C.O. Bigelow products, racquetball, squash and basketball courts.

We empower our members through encouragement, education and expertise.

(See NYHRC Page 16)



Locker Room at 23rd Street Location





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...**NYHRC**
continued from page 14

There seems to be a belief that health clubs are primarily concerned with profit and do not make the member experience a priority. We want to shatter that misconception, which is why, when you join NYHRC, you receive a complimentary personal training and nutrition session, access to our yacht in Manhattan and a beautiful beach club in Long Island, as well as access to exclusive events throughout the year. We want to develop real relationships with our members, which is why we continually engage and encourage them to stay fit, from day one and all throughout the duration of their membership.

C.I. - NYHRC offers some unique features, such as saltwater pools and whirlpools, eucalyptus infrared saunas and a member yacht. Can you tell us more about those?

KM - Our 75-foot yacht is a lot of fun and is a very relaxed trip with food, drinks and beautiful views of the city. We run four trips weekly from May - October and have had the same captain for eight years. It's so much a part of who we are: fitness is a lifestyle, not just the time you spend on a treadmill, and we're proud that we're able to offer likeminded people a place to meet and talk to each other and really build a community.

As for the pools, we've converted all of them to saltwater because it's much more gentle on your hair and skin. Our swim program includes everything from open swim, one-on-one lessons, group exercise classes like Surf's Up and a kids' swim program. The eucalyptus infrared saunas are really popular and truly speak to the holistic wellbeing ethos of our clubs. It's not only cleansing but also offers members a place to recharge amidst the often times hectic city life.

C.I. - Beyond the amenities we have discussed, what are the key market

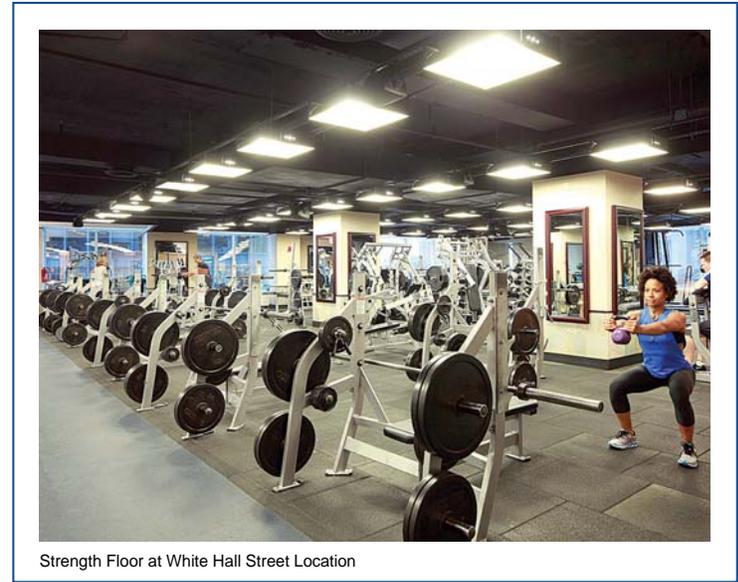
differentiators of NYHRC?

KM - NYHRC is about building real relationships with its members and creating a true community. When you step into a club, you are treated like family, and I think we are able to achieve such a personal feel because we are a family-owned business. We have some members who have been with us for over 40 years, and it's very important to me that our clubs are a place where they can nourish their soul and recharge.

This familial-feel is also woven throughout our corporate culture. We are not a large corporation but are family-owned and operated in New York City, which allows us to really focus on creating the best, most personal experience for New Yorkers. Many of the people on our staff have been with us for over 30 years and are truly invested not only in the success of the company, but they are also in the lives of our members. I was recently on the yacht, and a member told me she had been a member for years but hardly comes in. That bothered me, so I talked with her about what she likes to do, what her issues are and what stops her from coming to the clubs. I recommended a particular class and offered to join her. I always encourage our staff to take classes with members in order to help them feel more comfortable.

NYHRC is more than a business, and we're looking to do more than simply help people meet their goals and get in shape. We are about creating experiences outside of the club for our members in order to encourage a healthy lifestyle and further promote a sense of community. In addition to our yacht, our members also have access to an incredible beach and golf club in Westchester. We really value these relationships and are always looking for more opportunities where we can provide our members unique experiences outside the city and the clubs.

C.I. - What are your typical initiation fees and dues rates?



Strength Floor at White Hall Street Location

KM - We offer different membership pricing based on our customer's needs, and members have options ranging from all access to individual clubs. For the All-club Membership, which includes access to all nine clubs, pricing for month-to-month and 12-month membership billed monthly are \$145 and \$130, respectively. Each option has a \$100 initiation fee. Individual club rates range from \$119 to \$140 for month-to-month and \$99 to \$120 for a 12-month membership billed monthly. Once again, each option for individual locations has a \$100 initiation fee.

C.I. - What are some of the ways NYHRC interacts with the community?

KM - We are the official health club for the American Heart Association in New York City, which provides CPR training, smoking cessation tools, nutrition, stress management and more. This year, we expanded our relationship to support their *Go Red For Women* campaign, which educates women on heart disease and how it affects them, not just men.

We also have a relationship with the Armory Track Foundation, which is an amazing organization that provides opportunities for young athletes to pursue higher education. We have worked with them since 2013 by helping New York City public high school students apply to college and fund the application fees. We

have worked with hundreds of students, and I'm proud to say that every one who has applied to college has been accepted.

C.I. - Is NYHRC an IHRSA Member, and if so, what are some of the things you like and appreciate about IHRSA?

KM - I love IHRSA, and I love the people at IHRSA. I think it's a fabulous organization. There are people there who I can call just to bounce around ideas, or to tell me what's new and what I should be looking at, as well as to give me industry news. They are available to all of us. I love the idea of the industry working together and sharing best practices, which is exactly what IHRSA is all about.

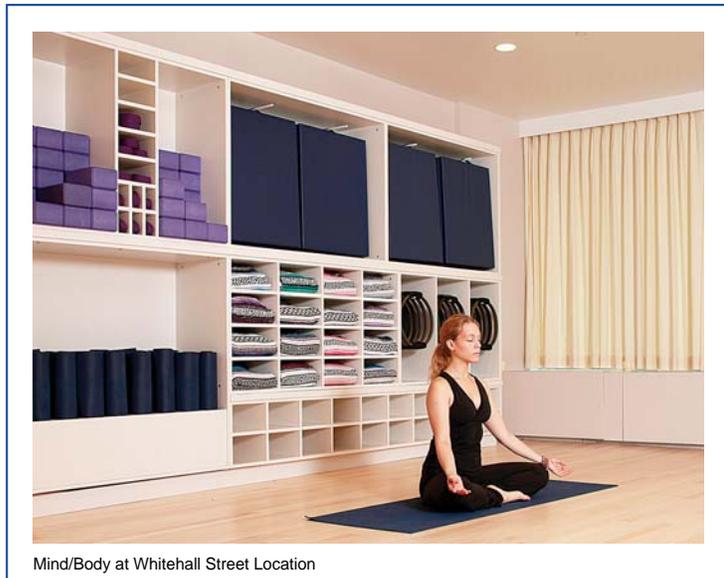
For me, the IHRSA Convention and Trade Show is like the first day of school. There might be things you are familiar with, but when you hear and see it fresh again, it gives you new inspiration.

C.I. - Are there any future plans for new clubs? If so, when and where, what concept?

KM - While we are always open to exploring new opportunities in New York City, our current focus is to ensure that our nine existing clubs continue to offer New Yorkers a full-service health club experience with a personal and positive feel. NYHRC is a family business, and it is important that we remain targeted in order to continue to offer our members the most personal experience possible.

C.I. - What is NYHRC's vision for the next 3 - 5 years?

KM - Since 1973, NYHRC has been offering exercise as a way of life, and we plan to continue doing that. We are New York City, and our energy and culture reflect this. We want to be a second home for New Yorkers and have an opportunity to educate members about a holistic approach to wellbeing. Working out isn't just about burning calories or building muscle. It's
(See NYHRC Page 18)



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200th Participant Enrolled in Precision Medicine Program for ALS

CAMBRIDGE, MA - The ALS Therapy Development Institute announced that it has enrolled the 200th participant in its Precision Medicine Program (PMP). This program is the first of its kind to be created for ALS and includes multiple aspects unique to the field of precision medicine specifically aimed to discover and develop treatments for ALS. This milestone meets two thirds of the program's goal for enrollment of 300 participants, which was made possible by the donations received from the 2014 social media phenomenon, the ALS Ice Bucket Challenge.

The ALS Therapy Development Institute is executing the world's first precision medicine program specifically focused on ALS. The goal of the program is to identify biomarkers and outcome measures to stratify subtypes of ALS patients. Accurate stratification of ALS patients based on disease progression rate will facilitate more rapid clinical trial enrollment and shorter endpoints, thus enabling more efficient clinical outcomes. The Institute is providing all participants with access to the data via a secure online portal, where they can monitor the progression of the program overall and explore data created from their own genome sequencing, iPSC cell line development and drug screening. Participants can also monitor changes in their disease progression as measured from accelerometer data, the ALSFRS-R score and soon to be analyzed speech recording data collected from each participant. Data obtained by the Precision Medicine Program will be instrumental for identification of the subtypes of ALS, as well as for the discovery and clinical development of therapies for ALS.

"Every person enrolled in our Precision Medicine Program is an active participant in research aimed to find effective treatments and a cure for ALS," said Steve Perrin, Ph.D., CEO and CSO of the ALS Therapy Development Institute. "For the first time, our scientists have access to an unprecedented amount of data in ALS that we are using expeditiously towards discovering therapies for people living with this disease."

The 200th participant in the Institute's Precision Medicine Program is 47 year-old Kevin Gosnell, who was diagnosed with ALS in May. Gosnell is from Hanover, MA, and is the CEO and Owner of T&K Asphalt Services, Inc.

"ALS is a disease that has no cure, no real treatment, and it's fatal. As of right now, I have no use of my right leg, and picking up a cup with my right arm is incredibly difficult," said Gosnell, who enrolled in the Precision Medicine Program this morning. "Enrolling in the Precision Medicine Program gives me hope today that I can contribute to research that might lead to treatments and a cure for ALS."

...**NYHRC**
continued from page 16

about changing your life and the lives of those around you by improving all the components that contribute to your health.

C.I. - This reminds me of something our publisher, my dad, as well as others have talked about for years. For many in our industry, their goal is to become a third place in people's lives. Members have home; they have work. But, then, what is that third place where they can escape the other two and recharge on a daily basis? The health club is the perfect fit for that, and it sounds like you strive to be that third place for your members.

KM - That's what I hear from members, and it's very important to me. That's why I make such an effort to talk to as many members as I can. I want to make sure what I think we are doing is actually coming through and that we offer our members the most personal experience possible. It's those small details that have kept many of our members with us since 1973.

C.I. - What are the strengths of building a family business? What are some of the challenges?

KM - When building a family company, you're living and breathing the business all the time. It's around you at every moment, and I think that's both a major strength and a challenge. I truly feel that, in order to be successful, you must believe in what you do and live it, and this comes naturally when part of a family company.

At the same time, it's very important to maintain perspective and to always be open to new ideas. Often, the lines between work and life are blurred when building a family business, and it's

important to continually challenge yourself and to welcome new thinking in order to grow and succeed as a company. This is one of the major reasons why I'm always talking to our members and encouraging honest and genuine feedback.

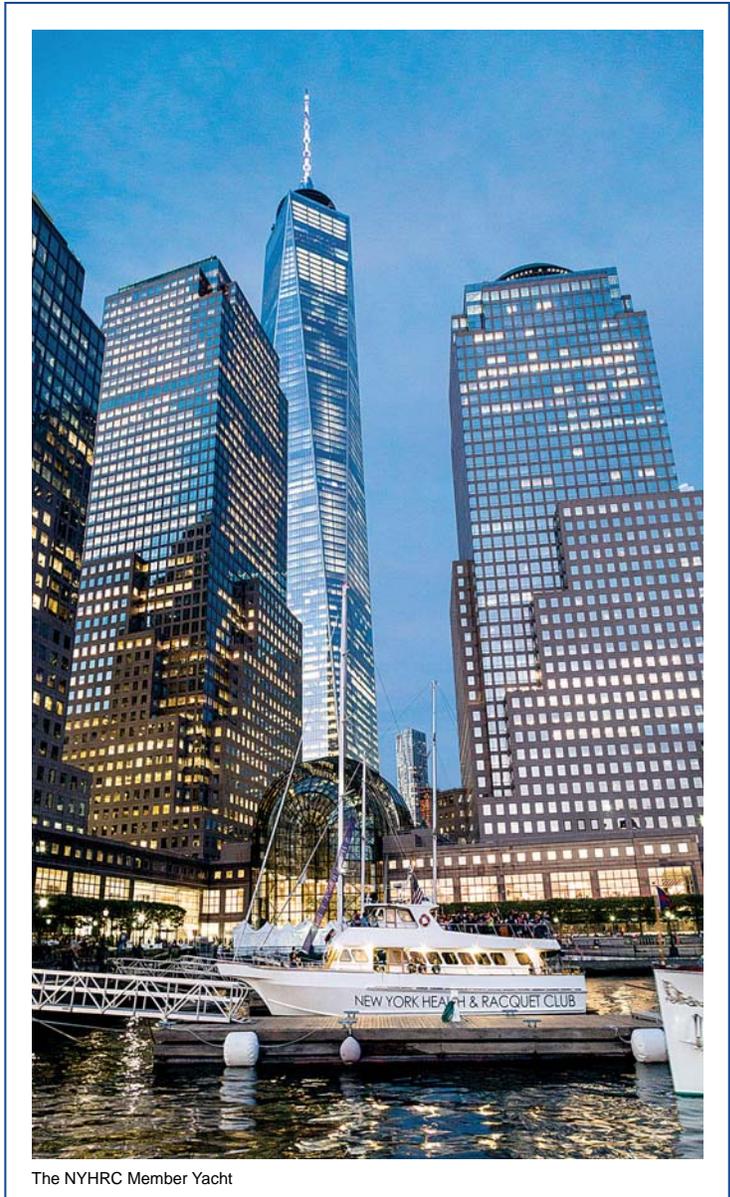
C.I. - To close, NYHRC being around for 40 years really says a lot about why that has occurred, and our readers can learn from that. What advice would you give?

KM - It's very important to me that the people working in the clubs are people who believe in fitness. *It's really and truly about believing in what you do and living it.*

• • •

Thank you to Kim Manocherian for her time interviewing for this cover story. Thank you also to Rebecca Rothman, Alyssa Winters and Jill Vance for their assistance. And, thank you for reading **CLUB INSIDER**.

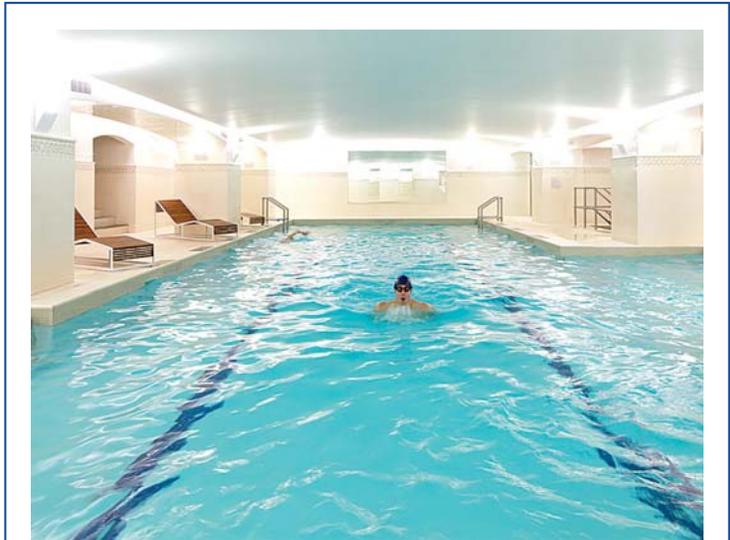
(Justin Cates is the President and Assistant Publisher of CLUB INSIDER and grew up in the health and fitness club industry. Justin was born into a club business family in 1985, and from the age of eight, he spent his non-school and sports hours in a home that doubled as CLUB INSIDER Headquarters. He has lived and breathed this industry for 30 years, since his own day one. Cates graduated from the Terry College of Business at The University of Georgia in 2007 and then went on to two years at The Art Institute of Atlanta, where he studied Interactive Media Design. Now, he is an integral part of the "Story" of Norm Cates and CLUB INSIDER. Justin can be reached by phone at 423-314-4310 or email at Justin@clubinsideronline.com)



The NYHRC Member Yacht



Squash Courts at NYHRC



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The Financial Power of The Crowd

By: Stephen Tharrett and Mark Williamson

Part II

In **Part I** of this 2-part series last month, readers were introduced to crowdfunding. In addition, Part I provided an overview of donation-based and reward-based crowdfunding. In **Part II** of our series on crowdfunding, we will introduce readers to the newest crowdfunding mechanisms; debt-based crowdfunding, often referred to as peer-to-peer (P2P) lending; equity-based crowdfunding and royalty-based crowdfunding. These three approaches to crowdfunding are considerably different than donation-based and reward-based crowdfunding, being founded and structured along the principles of more traditional capital raise approaches (e.g., angel funding, venture funding and bank debt).

Debt-based Crowd Funding

Leave it to the financial markets to develop a lending solution that sources the vast wealth of the crowd. Introduced in 2006, debt-based crowd funding, also known as crowd lending or peer-to-peer (P2P) lending, has emerged as a highly viable approach to source growth capital for individuals and businesses. P2P differs from its siblings in the crowdfunding arena in two distinct ways. First, P2P is not a funding source for start-ups, it is only available to businesses (small to large) with a proven financial track record (meaning the business has shown it can generate a profit and pay bills), and second, it does not offer contributors equity, just a guaranteed return on their investment. P2P offers entrepreneurs a fast track for raising growth capital to expand their business. For example, a *fitness studio owner who has achieved success with their first studio might consider P2P lending as a means to raise growth capital to open a second studio or develop a franchise model.*

P2P lending offers entrepreneurs access to unsecured loans with more favorable terms (rates vary based on the level of risk associated with the loan) than a typical bank loan, meaning potentially lower interest rates and better covenants. Furthermore, P2P lending opens up lending investments to investors, accredited and non-accredited, who are passionate about supporting your business venture in return for receiving a guaranteed rate of return on their investment. Like any lending establishment, P2P lending platforms require potential borrowers to be vetted before their offer can be shared with the crowd. For example, Lending Club, the largest P2P platform, indicates it approves approximately 10% of the loan applications

it receives.

According to **CrowdCrux.com**, a website focused on the crowdfunding industry, the leading P2P sites include: Lending Club (has sourced over \$9 billion in loans since inception in 2007), Prosper (\$3 billion in loans handled since its inception in 2006), Funding Circle (the leading online marketplace focused on small business with over \$1 billion in loans provided for small business since inception) and Upstart.

General Insights on Debt-based Crowd Funding for Businesses

There are limits to the lending. Each P2P platform will have limits regarding the amount of debt it will allow an individual and/or business to obtain. Furthermore, the term of the loan and the interest paid will vary based on the amount of the loan secured and the creditworthiness of the applicant.

P2P lending may not be the least costly. For individuals and businesses with outstanding credit worthiness, a P2P loan may not provide any advantages over a typical bank loan or Small Business Association (SBA) backed loan.

You need to have a clearly defined purpose for the funds. It is essential that you provide crowdfunding lenders a succinct purpose for the funds. Having a business plan in place to support this purpose will enhance your credibility.

You need to know the capital amount required for your purpose. Entrepreneurs must know how much money they will need to execute their purpose. This needs to take into account the processing fees that will be paid up front to acquire the loan.

Make sure you can afford the debt. Like any loan, there will be principal and interest payments. As a result, make sure your business can generate the cash flow to repay the loan.

Creditworthiness is important. While P2P lending sites make obtaining a small business loan easier than working with a bank, it doesn't mean that these sites don't place value on your personal level of creditworthiness, as well as your business' financial health. Raising debt is always easier when your business can demonstrate the capacity to pay accompanied by a history of paying its financial obligations.

You have to complete an application and vetting process. Like any loan, crowdfunding borrowers must complete a loan application (online process). Once



Stephen Tharrett



Mark Williamson

the application process is completed, the borrower's credit worthiness is determined. The borrower may be asked to submit supporting materials as part of the loan process (e.g., financial statements). Consequently, not every small business will be approved to pursue crowdfunding for their loan.

No guarantees you will raise debt. Even if your loan application is approved, there is no guarantee that your loan appeal will generate the investment activity required to meet the loan goal.

For fitness entrepreneurs whose capital needs for growth may not be that large, P2P lending may be an alternative financing strategy to consider.

Equity-based Crowd Funding

In 2011, as Barack Obama was campaigning for the passage of the JOBS (Jumpstart Our Business Startups) Act, he was quoted as saying, "Right now, entrepreneurs are already using crowdfunding to raise hundreds of thousands of dollars in pure donations; imagine the possibilities if these small-dollar donors become investors with a stake in the venture." What President Obama was referring to was Equity-based crowdfunding, the newest player in the financial crowd-sourcing field. The JOBS act of 2012, in particular Title IV, Regulation A+, opened the door to an entirely new world for capital raises to fund start-ups and fuel rapid growth for early stage businesses. During the first quarter of 2015, firms raised \$662 million in capital using crowdfunding platforms. According to Eric Smith, Director of Data Analytics at Crowdmatic, equity crowd funding is expected to double on an annual basis as more investors and potential investors get to know about it.

Equity-based crowdfunding allows

Angels, also known as accredited investors (individuals with a net worth exclusive of their primary dwelling of \$1 million or annual income of \$200,000 or greater for the previous two years), and non-accredited investors, to contribute funds to a business venture in return for equity in the business (become shareholders). This is dramatically different from donation or rewards-based campaigns in which the contributor receives no equity, only good feelings and possibly some swag. One might think of equity-based crowdfunding as a global cloud-based angel network. Equity-based crowdfunding has opened the door for everyone to become a business investor and get in on the ground floor of a potentially lucrative business venture. For entrepreneurs, equity-based crowd funding can introduce their businesses value proposition to thousands, if not millions of potential investors, accredited and non-accredited. Some of the leading equity-based crowdfunding sites include CircleUp (targets small businesses), CrowdCube (U.K. based platform), MicroVentures, Wefunder and Fundable.

Under Title IV of the JOBS Act, there are two tiers that apply to investment raises that reach out to non-accredited investors: Tier I and Tier II. Tier I is for capital raises seeking under \$20 million U.S., while Tier II is for capital raises between \$20 million and \$50 million. Tier I offerings have fewer restrictions placed on them than Tier II offerings; consequently, experts in the financial world expect Tier II crowdfunding to dominate the landscape because of its fewer restrictions for the entrepreneur.

Title IV also places a limit on what non-accredited investors can contribute, which is a maximum of 10% of their annual income/net worth on an annual basis. These limits are intended to protect the non-accredited investor while affording them the opportunity to invest in start-ups

(See *Crowdfunding* Page 22)

...“Insider Speaks”

continued from page 6

creating an entirely new concept featuring this style of training, most mainstream players simply push it into the back room, or worse, try and create a new brand built in a smaller space that does nothing but highlight the weaknesses of the rest of what you own.

3. Group exercise/aerobics is dying, or dead: Giving away 30-40 classes per week as part of the membership while paying the last living group divas the same as trainers is not a sustainable business plan. Advanced cycling, mind/body, boxing and other group activities that can be charged for should replace the 1995 technology you are still giving away for free. And, how many mainstream fitness businesses with group exercise struggle to find instructors and who also worry that the average age of their groupies seems to be really high? As they fade away, so does your program.

4. The middle has shifted toward the bottom: The new middle price is no longer \$39; it is \$19 per month per member. Now that Planet Fitness has gone public, even more imitators will emerge and bottom feeding will reach epic proportions. The negative is that there are only so many victims available to feed the volume players, and there will be those who starve to death. Need proof? Look at the dozens of Curve imitators and tell me how many are left in the market... even the Curves chain is a shadow of itself. The new bottom norm is \$9-10 per month. How long before we see our first \$5 per month per client business plan? It is coming, and sadly, it would probably work for a while.

5. The emergence of the training gym has gone unnoticed by those who need to notice it the most: The training gym segment is growing by at least 900 locations per quarter and could be by as many as 1,500. How many mainstream gyms do you see opening in the market? These training gym players slowly drain the best clients out of the mainstream gyms leaving the cheap and wicked to pay the bills. The established players, such as TSI or Equinox, could rise and fight back, but have chosen to go different paths. Remember the old giant racquetball facilities of the '80s that seem so much like Jurassic Park these days? Remember that, in about ten years, when we're all looking at the former sites of these giant boxes that became extinct as well.

Additional Insights

The industry is deconstructing: The one-size-fits-all business model, which has been in place since the early '60s, where offering everything to everyone in one big box, is being replaced by a derivative model built upon separating the pieces and chasing specific target markets. SoulCycle, hybrid training gyms with open membership, sports performance centers, women's only training gyms, fitness after

50 studios and all the rest point toward a specialization movement and the end of the generalist.

The price is actually going up, at least in the training segment: In New York, which is an outlier community for the fitness industry, has seen enormous increases in the price of training. Don Saladino, who owns an amazing training gym in SOHO at 15,000 square feet, is currently the highest priced trainer per hour in the city... commanding \$1,000 per hour. Even in the vast uncharted wilderness of the Midwest is seeing team training going for a \$149 per month per client and one-on-one at over \$100 per session in the next generation training gyms. Compare these rates with what is charged in the chains and you can see why the training gyms are draining the more financial astute clients. The real price wave, however, is in the small group segment that is only about 15 years old. Groups of four with a master coach all paying over \$300 per month to train is creating a much higher threshold in the market, and while the mainstream players continue to drop price and pray for volume, the training gyms raise the overall price point and takes the more discerning clients.

One-on-one is dead: The training gyms have already figured this out and have shifted to the power of the group dynamic. The national chains, which as a group probably have less than 6% of their membership involved in paid training, and virtually all of that in one-on-one, are too dependent on a programming device that 94% of your membership doesn't want to buy. In the past, one-on-one has been an additional source of income that supports the volume approach to business. But, what happens when the volume drops and that new training gym across the street is offering group programming you have never been able to make work in your giant box? Most training gyms base less than 15% of their revenue on one-on-one and chase the small group and team products that generate a much higher return per member served.

The industry needs a strong trade association/leadership structure that represents the new type of player: In the emerging training gym world, trade shows are dead and have been replaced by workshops. Mentorships drive education and growth. Certifications are seen as a starting point, no longer a final destination. Heroes are no longer the guys with the most gyms on the cover of magazines only read by other large chain owners. The new hero is an owner of mindshare, not square footage, and is willing to share coaching and business techniques with the new breed. As the mainstream world struggles and shrinks, who will emerge as the leadership for the next generation gym? In a recent workshop, for example, with 300 attendees there learning how to open their own gyms, only one person in attendance knew what IHRSA was or supposedly did. The industry is in transition, and staying relevant will be an issue for all of the

entrenched players.

The equipment companies will have to adapt: What happens when the \$500,000 equipment orders start to disappear and are replaced by the training gym person who will spend \$150,000 to open a fully equipped 3,500 square-foot gym that can do \$40k per month and that will net 40% pretax? How business is done has to change. The new generation training gym owner doesn't attend tradeshow, doesn't read the traditional magazines and doesn't care much for representatives who have no experience in his part of the business. Sales teams will have to change, marketing will have to change and the very nature of equipment will have to change, too, if these companies want to be part of the sales process for the next generation.

We can finally start to track progress: The new generation training gym can now prove the client came and progresses, making it easier for the insurance companies to pay for health and wellness. Educational companies, such as FMS (Functional Movement Systems), and workout tracking companies, such as MyZone, have created systems and tech that allow a gym owner to baseline the client and then illustrate attendance and progress; something that has been difficult, if not impossible, for the mainstream players. As this money enters the industry in bigger piles, will it go to the

mainstream player with no way of tracking anything but the fact that the guy checked in today, or to the training gym where that owner can show you detailed graphs on attendance, quality of workouts, baseline data and progression of the client?

What does all of these seemingly unrelated statements mean? We are in the middle of the biggest transition in the history of the modern gym business, and hardly anyone is ready for the turmoil that will ensue. The business has changed deeply in just the last five years. The next generation gym is here and knocking down \$2 million a year in 7,500 square feet and keeping almost half of it. The old model is struggling, and with it, all the related components are now under attack, too, from the certification companies, trade show providers, equipment manufacturers to the old school magazines and educational leaders.

The future is here, and it is now... but if you want to live in the past, simply stop by any chain gym in any big city and 1995 awaits in an instant. Just ask for a tour and park your DeLorean at the curb.

(Thomas Plummer is a 30+ year veteran of the health and fitness club industry and the Founder of The National Fitness Business Alliance. (NFBA) Thom may be reached at thomasplummer@icloud.com)

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Muscle Up Marketing Ranks #40 on Inc. 5000 List of Fastest Growing U.S. Companies

Publisher's Note: Jon Butts started his Muscle Up Marketing Company 4 1/2 years ago with \$1,000 to his name. Now, his company employs ten people, and they are earning prestigious awards, such as this recent **Inc. 5000** honor, and his company was just named by *The Atlanta Business Chronicle* as one of **The Best Places to Work in the Atlanta Metropolitan area**. **CLUB INSIDER** is proud to have Jon Butts and his Muscle Up Marketing Company as an advertiser in our publication. When I asked Jon to give advice to club owners about marketing, his reply was:

"For the new guy, consistent branding from the get-go is huge. I always tell everybody you only get an opportunity to be new once... You better not mess that up. It's hard enough to have a successful business. So, if you stack the cards against yourself from day one, and you are putting out mixed messaging and poor and inconsistent branding, or if you're undercapitalized and go light on the marketing, then you kind of put yourself in a bad position right from the start. You don't have the pre-sale that

you want. So, you don't have the dues and EFT revenue coming in, so then, you can't afford the marketing because you skimmed on it initially. You sort of get caught in a downward spiral where you've put yourself in a bad position if you go light on the marketing. It's a lot easier to do things right from the get-go. It's better to have the consistent branding market heavy during pre-sale and the Grand Opening than to not do enough and try to catch up later. Then, your cash flow is really hurting, and you just kind of are stuck in a bad spot. Over the total of ten years doing this, I've never once had a client come and say, 'I'm disappointed that we marketed that much before opening.' Norm, 100% of the time, I always hear the opposite from club owners who have not prepared and executed well-planned marketing campaigns in advance. We hear things such as, 'Crap! Here we are six months in, and we didn't do enough! So, now, we only have 20% of the members that we had on our pro-forma!'"

So folks, **CLUB INSIDER** points to the new **Muscle Up Marketing Ad** on the

Opposite Page so that you can play catch-up on your winter marketing campaign by contacting **Jon Butts of Muscle Up Marketing ASAP at (800) 516 - 4480**.

• • •

ROSWELL, GA - Muscle Up Marketing has announced it ranks 40th on the Inc. 5000, Inc. magazine's annual list of the fastest-growing, privately held businesses in the U.S. Based on the company's 5,967% sales growth over the past three years, this designation marks a significant achievement for the 4-year old, Metro Atlanta-based marketing agency that focuses on the fitness industry.

"This is an incredible honor," said Jon Butts, Founder and President of Muscle Up Marketing. "When I started Muscle Up Marketing in 2011, I aspired to become one of the top 250 fastest-growing companies on the Inc. 5000 list in four years. Exceeding that goal has been the proudest moment of my career." Noting his company's 100% employee retention rate, Butts adds, "All of the

credit goes to our employees who offer the very best service and value to our 800+ customers nationwide."

Muscle Up Marketing is a full-service agency that specializes in marketing campaigns for the fitness industry, including direct mail, email and text message marketing, social media management, call tracking services, brand development and customized collateral and products. The company's client roster includes: Crunch, UFC Gym, World Gym and more than 800 additional health clubs and studios nationwide.

"We look forward to continuing to blaze trails in the industry, with energetic and innovative campaigns that power our clients' growth," said Mr. Butts.

The Inc. 5000 ranking is based on percentage of sales growth from 2011-2014. Past Inc. 5000 honorees include Microsoft, Intuit, Zappos.com, Chobani and Oracle.

For more information about Muscle Up Marketing, please visit www.muscleupmarketing.com.

...Crowdfunding

continued from page 20

and early stage businesses.

Equity-based crowd funding comes with a cost that, in many instances, can exceed the capacity of entrepreneurs wishing to raise capital. The filing requirements make it necessary to bring on board both a CPA and attorney experienced in filing the proper investment documentation. The cost of meeting these filing requirements can range from as little as \$10,000 to as much as \$100,000. Consequently, many investment experts claim that, unless an entrepreneur is seeking to raise at least \$60,000, equity-based crowdfunding is not a viable investing option.

Equity-based crowdfunding is risky. Typically one in ten investments made in a start-up venture are considered successful (based on the typical Angel requirement of a 10X return on their investment). Consequently, equity-based crowdfunding investors run as great a risk as the entrepreneur.

General Insights on Equity-based Crowd Funding for Businesses

Have a business plan. Investors want to know you have an attractive and realistic plan mapped out for your business venture. Your business plan should address all the elements of any good business plan, among

them your purpose, vision, objectives and marketing strategy.

Know exactly what you need to succeed.

It is critical that you know how much money is required to bring your plan to life. Asking for too little will ultimately lead to failure, but asking for too much can potentially detract from crowd investment. The larger the fund raise, the greater the chance of it not succeeding.

Have a validated financial pro forma.

Potential investors want to know the numbers. For start-ups, this means having realistic and reliable assumptions and projections. Entrepreneurs would be wise to engage the expertise of a financial advisor or CPA to assist with this.

Have a compelling pitch.

Every entrepreneur seeking to raise investment dollars needs to have a "pitch." Your pitch needs to tell the story of your business in a manner that grabs the attention and interest of investors. This means it has to present the problem your business solution is addressing, how your business venture solves that problem in a unique and compelling way, who the people are behind it, and most importantly, what is in it for the investors.

Leverage experts. It is important that investors see your team as being highly credible. This includes the operations

team but also any advisors such as accountants, legal staff and related business professionals.

Speak the language. It is critical that an entrepreneur be able to communicate effectively with investors in their language, not just the dialect of your professional area of expertise. While donation-based and reward-based contributors are more about the warm and fuzzy, equity-based investors are in it for the financial rewards first and foremost. Consequently, you need to understand their expectations and how they define success.

Be prepared to execute your plan.

Investing in start-ups is highly risky. Approximately 10% of all start-up ventures achieve the financial objectives of the investors. A large portion of the 90% who don't achieve the financial expectations of the investors can be traced to an inability to execute their business plan.

Communicate frequently and honestly.

Those who invest in your business venture are stockholders. They want to know how the business is doing. They have invested money to support your vision, and like you, they have a stake in the success of your business. Don't sugar coat the facts, and always be transparent about the performance of your business. One of the most frequent complaints heard from contributors to donation and reward-based

investments is the lack of communication they receive from the recipients of their contribution about the progress of their investment. Remember that equity-based investors are shareholders, typically distant and small shareholders who may have little contact with your business. Consequently, it's essential to maintain regular and transparent communication with them.

Royalty-based Crowdfunding

Royalty-based crowdfunding represents a new twist on an old approach to investing where in return for investors putting up the equity to fund a venture receive a portion of future sales (royalty). Royalty-based crowdfunding offers investors an opportunity to share in the revenue performance of the venture, in essence allowing investors to capture a greater return as a venture's revenues grow. The benefit to the entrepreneur in this instance is they don't have to forfeit equity in the business, allowing them to maintain 100% ownership. The potential downside of this approach is that, for a given period of time, the entrepreneur will be sharing a percentage of their gross sales with their investors (royalty purchasers). Some of the leading royalty-based crowdfunding sites include EquityNet, Quirky, RoyaltyClouds and TubeStart.

In an article that recently appeared in *CrowdFundBeat*, the author shared (See *Crowdfunding Page 26*)

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Five Things You Can Learn From the Small Studio Model

By: Maria Parrella-Turco

Small studio operators have perfected five successful concepts that club owners and operators can learn from and implement in their own businesses. If you have not already experienced a niche group-training studio, including those that offer yoga, Crossfit, TRX or cycling, move within just a few short blocks or miles from your club, it's just a matter of time before one or two will arrive in your neighborhood.

It is great that we are all working toward a bigger cause; however, you need to recognize that the small studio club model is competition with the potential to eat away at your club's market share. Staying informed and educating yourself is the first step in overcoming any challenges. Here are some things to be aware of and strategies to prevent or deal with the risk of losing members and keeping a better hold on your market share:

1. Evaluate your business model. Before anything else, take time to assess your business model. Unlike the smaller, independent clubs, large national fitness center chains are more resistant to

competition. However, the one advantage independent operators have is the ability to change their club's identity and offerings quickly. Make a list of your competitors' offerings and unique selling points. Sit down and evaluate your market position. Compare your unique selling points to your closest competition in your market. What can you do first, better, different and be the only to offer? What is your cost of service and sale, and how do you need to adjust to thrive? Do not forget to give your own business a test run by secret shopping yourself.

2. Understand the sales process. Consider the things that make studios attractive. They do not market price, and they do not market membership. They market low-risk trials and programs that deliver results. Therefore, ask yourself, which of these consumer-attracting strategies should our organization consider and what are the possible outcomes that can occur if we implement them? Most studios have a lax to non-existent sales system. What sales systems do you have in place? You must know your competition, all of its strengths and all of its weaknesses. Viewing their website and social media channels is not

enough. Become an expert on how and what your competitor sells and markets. Take secret shopping one step further. Go, join and immerse yourself in their offerings.

3. Excel in specialized programs. Niche or boutique fitness studios specialize in a certain area of fitness, so the exercises are usually more effective and efficient. These instructors are specifically trained to teach a certain fitness method and are usually very educated in the science behind the exercise. Most consumers are attracted to studios because they know they are going to get expert instruction, the most out of their hour and results. Attracting talent and keeping them highly educated is a key differentiator and competitive factor. Owners and managers need to establish and continue to hold continuing education for their staff. Consider having alignment agreements in place to protect yourself from investing in an instructor's education and then having him teach for your competition. Most well-designed clubs invest 3% of revenue into staff education. Promote your results-driven programs by using your own success stories.

4. Create a community. Because studios have smaller class sizes and fewer members than a larger gym, studios have a community-like atmosphere. It is nice to see the same members every time you go to class. The members care about one another and often act as a motivation and support system. Sometimes, studios set up special challenges, such as attending a certain amount of classes per week or sending food journals to friends, as a way to keep their members motivated. This really helps the members to bond and care about each other.

Ask yourself what you are doing to be personal and develop a sense of community. Are you creating Facebook groups and special niche events? Does everyone in your class know everyone else's names? A great technique you may want to have your instructors incorporate is introducing new students and pairing them with a mentor student. How you communicate with your members affects



Maria Parrella-Turco

the longevity that member stays with you.

5. Celebrating members creates loyal members. Because boutique studios are so intimate, celebrating members is a natural process of the atmosphere and culture. Bigger health and fitness businesses struggle with creating intimacy. A great way to accomplish this is by celebrating members' successes and holding ongoing member events that recognize them. Reward and loyalty programs are a great source for providing consistent solutions to engage and communicate with members. You should always be thinking of ways to reward and recognize your members.

Like with any business strategy, overcoming the obstacles and finding a way to stand out in the crowd will be key to your success. If you have the tools to position yourself in the marketplace as a strong competitor, selling your strengths and the potential for members, you will ultimately have success. Although it may feel that this boutique studio model is driving the current trends for the health and fitness industry, as owners and operators, you can learn from what they are doing right to ensure the growth of your own club. (Maria Parrella Turco is a fitness industry expert, consultant and entrepreneur. She is the owner of Honor Yoga, as well as the Co-Founder and CEO of FitRewards. See the FitRewards Ad on This Page.)

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Mitigating Liability Through the Proper Hiring, Training and Ongoing Certification of Employees

By: Paul R. Bedard, Esquire

You've just signed up a new personal training client! A liability waiver has been executed and your new client has been placed with your head trainer! Other than failing to retain your new client, what could possibly go wrong? As I learned years ago when I would ask my law school professors which way a case should be decided, "It depends."

This article has been produced by request of **CLUB INSIDER Publisher, Norm Cates**, to help club owners and operators focus on important legal matters for their clubs and deal with them appropriately. This article will provide some proven suggestions to help mitigate your risk of negligence through the proper hiring, training and ongoing certification of employees. Given the legal case that's referenced herein, the suggestions that I'll provide are particularly applicable to personal trainers. However, most of these suggestions are applicable to all employees.

This article is not intended as legal advice because laws vary from state-to-state and local laws and case precedents are specific to each jurisdiction. And, factors that are truly unique to each situation prohibit one-size-fits-all recommendations. *Please consider these comments as a guide to help you when you consult your own attorney for specific direction.*

In simplified form, as a health club owner and operator, you have a duty to provide a reasonably safe fitness environment. To prevail on a negligence claim, the burden is on the plaintiff to prove specific facts that show you failed to provide this reasonably safe environment. What constitutes a breach of duty is determined by the specific facts of each particular case. You can help protect yourself in this important regard by constantly and preemptively focusing on key operational functions, including the proper hiring, training and ongoing certification of your employees.

Underscoring the importance of sound employee practices and procedures, a recent case here in Connecticut illustrates how a health club can be exposed to liability for negligence despite the existence of a properly executed liability waiver. Member Susan Butler, who signed such a liability waiver, broke her hip and wrist while working with her personal trainer, the club's head trainer, at a Planet Fitness location. Ms. Butler, who had a previously fused ankle, was instructed by her trainer to perform exercises on the

platform side of a Bosu Ball. During this attempt, Ms. Butler was flung into the air and landed on her right hip and wrist. Her injuries required hip surgery and three wrist surgeries, as well as a 2-week hospital stay and rehabilitation.

Ms. Butler filed a lawsuit alleging negligence on the part of the health club. Yet, when a member has released your club for negligence in advance by signing a liability waiver, should you be overly concerned about whether negligence can be proven? In many jurisdictions, the simple answer is *yes*. In the above case, as you would expect, the club's lawyers responded to Ms. Butler's allegations by filing special defenses including a defense claiming that all liability was waived when Ms. Butler signed a waiver releasing all parties from any of their negligence. Ms. Butler's lawyers responded by filing a motion arguing that a contractual release of a health club from responsibility for negligence is unenforceable in Connecticut for reasons of public policy.

Judge Jon Blue ruled in favor of the member, declaring that, "*Thousands, if not millions, of ordinary people go to gyms like Planet Fitness, and there is a societal expectation that such activities will be reasonably safe.*" Judge Blue's decision altered the dynamic of this particular case and a mediated settlement of \$750,000 was reached in lieu of allowing the case to go to trial. As an attorney who regularly spends time in court litigating personal injury actions, I found this particular result to be eye-opening given the amount of trainer and client interactions that transpire within health clubs nearly every hour of every day.

While the Butler case's dynamic turned on the issue of liability waiver enforceability, this case provides a great lesson on the importance of conducting operations in a manner that will allow you to avoid having to point to your liability waiver in the first place! Ms. Butler's attorney revealed that, during the trainer's deposition, the trainer acknowledged not being aware of special instructions as they relate to the use of the platform side of a Bosu Ball. It was also revealed that the trainer testified he never received any training from his employer on how to safely train a client when using a Bosu Ball. Of course we cannot say with certainty that Ms. Butler's injuries would not have happened had the trainer's testimony been otherwise; however, should your liability waiver cease to be an effective shield from a negligence claim, these are just some of the types of facts that a jury would analyze in order to determine whether there should

be a finding of negligence on the part of your club.

The Butler case centered around damages stemming from the conduct of a personal trainer. However, a claim of negligence can involve the maintenance of your facility or equipment, the handling of a club emergency, the failure to protect your members' personal information or any number of the outcomes that stem from the countless interactions between your employees and your members on a daily basis. Therefore, *all* of your employees *must be hired, trained and evaluated in a consistent fashion designed to produce behaviors, which will minimize your legal risk.*

When Hiring Employees

What to do? Do your homework before hiring or even interviewing any potential employee. Research the applicant's criminal and social media history. If you uncover any red flags at this early stage, don't waste your valuable and limited time with an interview. When practically possible, reach out to your contacts within the industry to see what you can learn additionally from them about the applicant. To quote Warren Buffet, "*Somebody once said that, in looking for people to hire, you look for three qualities: integrity, intelligence and energy. And if you don't have the first, the other two will kill you.*" Never compromise your hiring standards when it comes to *integrity*. I've seen hiring professionals lower their standards due to immediate need or anticipated new sales, only to learn the hard way that such a decision ultimately almost always comes at a great expense to the business.

During the interview process, ask targeted open-ended questions regarding the applicant's work history, education and certification. While uncomfortable for some interviewers, do not be afraid to ask the applicant directly if they are a person of integrity. More importantly, promptly request that the applicant provide detailed examples in this regard when they invariably answer, "yes."

Due to the ongoing expansion of certification options for personal trainers, what it means to be a "certified" personal trainer varies greatly these days. Decide which comprehensive and widely respected personal training certifications you'll recognize within your club and do not compromise your standards in this regard. Before making a hiring decision, ask for a current copy of any relevant certifications. I've lost count of how many "certified" personal trainers I've engaged



Paul R. Bedard

within the interview process only to learn immediately after requesting a current copy of their certification that *the certification in question had actually lapsed!* Speaking of trainers, include a hands-on practical section within the interview process that will allow you to assess what your valuable members will experience when working with the trainer in question.

When Training Employees

What to do? Standardize your onboarding and training procedures. Outline these procedures in detail and have the appropriate people available to consistently provide this training at the very beginning of the employment relationship. Immediately provide a comprehensive employee handbook, which I talked about in more detail within the **January 2015** issue of **CLUB INSIDER**. Among other areas, ensure that your people are trained on proper equipment use and facility maintenance, emergency procedures, sexual harassment and discrimination policies and issues of confidentiality when it comes to your members' personal information and privacy. Maintain detailed records of equipment maintenance, facility upkeep, club incidents and emergency drills. Regularly follow up on your training efforts and document these ongoing practices. This documentation will prove useful should you have to defend yourself in a lawsuit.

Ongoing Certification

What to do? Maintain a strict policy when it comes to your employees keeping their certifications current. **Have zero tolerance in this regard.** Allowing even one employee to continue employment without maintaining their relevant certification is
(See Paul R. Bedard Page 26)

It's Time For A Different Approach

By: Daron Allen

Monthly sales quotas have been around longer than the fitness industry itself.

Managers continue to set sales quotas for their membership sales and personal training departments. Over time, these quotas become far reaching, and more often than not, unattainable, demotivating goals.

Month after month, managers continue to set unrealistic goals for their teams in hopes that, if they "Shoot for the moon, maybe they will land among the stars." As part of this, companies offer additional incentives to motivate their sales staff to somehow hit higher production... as if the sales team is not really trying

hard enough.

There are two approaches to helping overcome this problem: Continue to spend more money on marketing to drive more bodies through the door... or, and we believe much better, implement a program of **continuous process improvement** for your sales system. This will increase sales team education, professionalism, motivation, culture, and ultimately, **improved sales results.**

Other industries with sophisticated sales systems have been doing this for decades. Their systems give them the ability to review each sales session and look at quantifiable data to determine what variables are affecting the outcome.

This process is known as sales

analytics, the ability to use sales data for continuous process improvement.

By continually refining their approach other industries have found that in identifying, controlling and analyzing all sales variables they have the ability to determine the sales processes that are working, as well as those that are not, and **create a best practice sales standard.**

Implementing sales analytics into your business will give you the ability to control your sales process and refine it in a way to remove the variables that cause a negative outcome and increase the variables that result in increased sales.

(Daron Allen is CEO and President of Visual Fitness Planner and can be reached at dallen@vfp.us)



Daron Allen

...Crowdfunding

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some insights garnered from her interview of well-known financier Arthur Lipper. Some of the highlights include:

- Entrepreneurs are likely to see investors seeking longer-term royalties ranging from 10 years to 20 years to help reduce the overall percentage of the businesses revenue to the royalty purchaser. If higher percentages are offered, then the duration of the holding can be lessened.

- Investors will likely be seeking out

ventures with an aggressive growth model (at least 10% annually) and which offer at least payment of a 20% internal rate of return over the course of their holding.

- Investors are likely to seek royalty payments in the range of 5% to 10% of sales, but the specific percentage will be based on a variety of factors, including the perceived viability of the venture and the length of the royalty payment.

- Like equity-based crowdfunding, there are regulations that entrepreneurs will need to comply with in order to present their offering to crowdfunding investors.

Concluding Thoughts

Crowdfunding has evolved in less than a decade to become an incredibly influential means of generating capital for start-ups, early-stage firms and even more established businesses. Entrepreneurs now have multiple options for leveraging the financial power of the crowd, and that power continues to grow. Over the next decade, the capital raised for small businesses using the various types of crowdfunding platforms, especially debt-based, equity-based and royalty-based will grow exponentially. Many financial experts believe that crowdfunding represents the

new frontier for raising start-up and growth capital. For small business entrepreneurs in the fitness industry, crowdfunding might be the "pot of gold" that launches your vision and leads to a successful fitness business.

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

...Paul R. Bedard

continued from page 25

the beginning of the process of erosion in this regard. Maintain detailed records regarding your employees' CPR and personal training certifications and review them regularly. These records will also prove to be valuable should a legal issue arise.

In conclusion, as I explained in more detail within the **January 2015** edition of **CLUB INSIDER**, a proper

liability waiver represents an *essential layer of protection* for your club. You must have an appropriate liability waiver, comprehensive yet not overly broad, in place. However, due to widely varying jurisdictional standards, your waiver provides no guarantees when it comes to shielding your business from negligence claims. Where enforceable, your waiver will only protect from most claims arising out of sudden or unforeseen accidents. It will not protect against claims stemming from intentional acts or gross negligence.

And, in some jurisdictions, these waivers are simply unenforceable. Therefore, you should hire, train and execute the ongoing training and certification of your employees as if your liability waiver does not exist. This mentality will ultimately help minimize the need to reference your waiver in the first place.

(Paul Bedard, Esquire, has nearly twenty years of experience in the health and fitness industry. As a practicing attorney, Paul's health and fitness industry operations

experience provides him with a unique perspective when advising on or litigating matters involving health club contracts, policies, disputes or injuries. Paul strives to be active in his local community and has served on the Southington Zoning Board of Appeals and the Board of the Central Connecticut Regional Planning Agency. He also volunteers and fundraises for various local charities. Paul may be reached at pbedard@smddlaw.com)

Two MAC Clubs to Become acac Fitness & Wellness Centers

CHARLOTTESVILLE, VA - Maryland Athletic Club (MAC) locations will soon be rebranded as **acac** Fitness & Wellness Centers. The MAC clubs in Timonium and Hunt Valley formally joined the **acac** family of clubs last month.

acac owner Phil Wendel has been an investor in the MAC since its opening in 1996. The MAC and **acac** clubs have collaborated together for many years, and they share a passion for excellence

and service.

Going forward, **acac** will provide management resources and oversight of the MAC's Timonium and Hunt Valley clubs. Tim and Liz Rhode will assume roles with Legacy Management, **acac**'s parent company.

Legacy Management will now have clubs in Charlottesville, VA; Richmond, VA; Timonium, MD; and West Chester, PA. The **acac** brand includes six

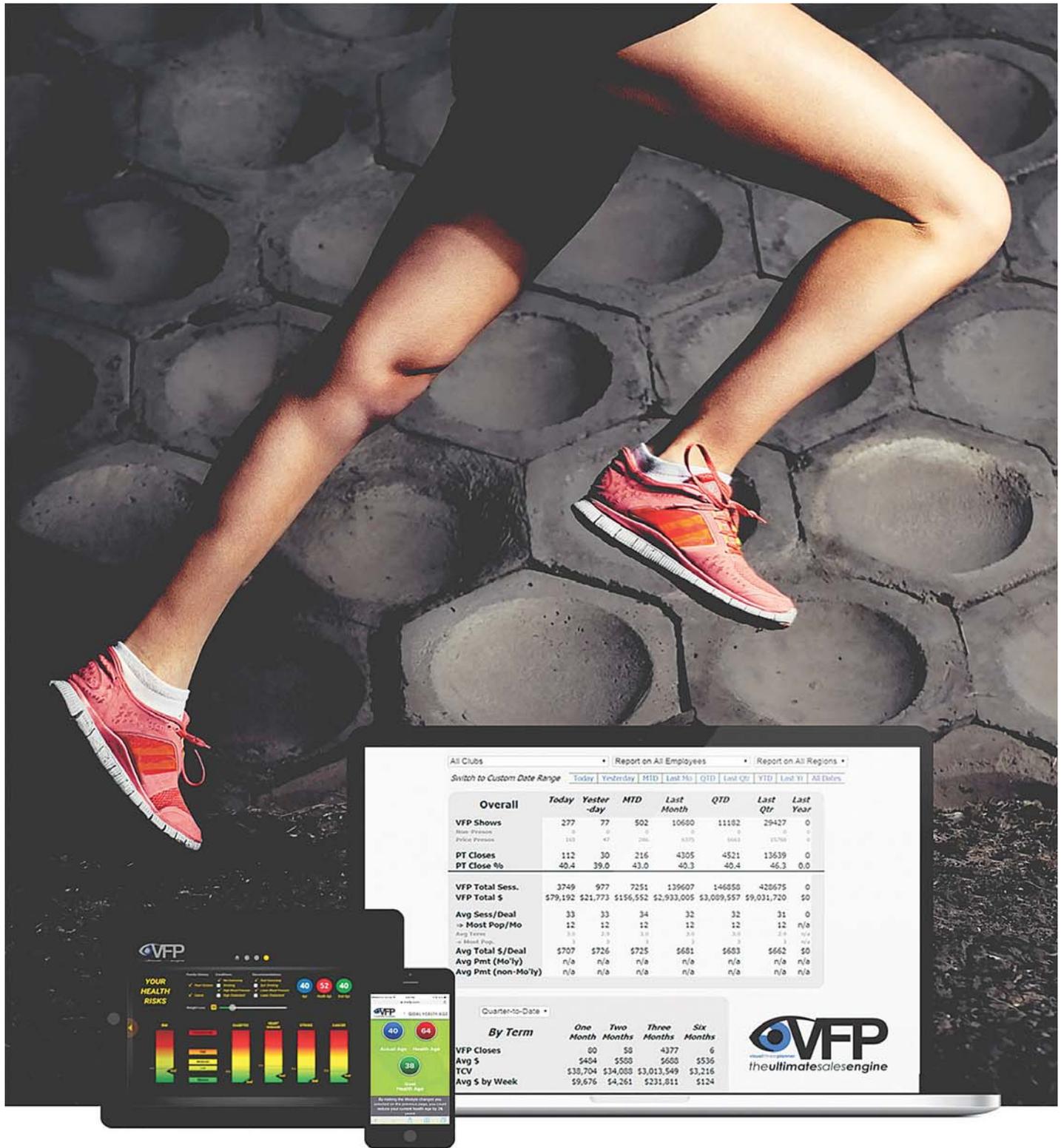
large flagship facilities, three express clubs and one youth center.

Wendel is excited to add the MAC's two suburban Baltimore facilities to the **acac** club company.

"The MAC has an outstanding team of club professionals and a strong, loyal membership base," said Wendel. "Our immediate plans for the Timonium and Hunt Valley clubs include facility reinvestment and building even stronger

medical partnerships in the greater Baltimore area with healthcare providers."

acac is known nationally for its physician referred exercise program (p.r.e.p.) and its partnerships with the medical community in each of its club cities. As of August 2015, **acac** clubs had already received more than 3,200 physician referrals this year.



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PT Closes	112	30	216	4305	4521	13639	0
PT Close %	40.4	39.0	43.0	40.3	40.4	46.3	0.0
VFP Total Sess.	3749	977	7251	139607	146858	428675	0
VFP Total \$	\$79,192	\$21,773	\$156,552	\$2,933,005	\$3,089,557	\$9,031,720	\$0
Avg Sess/Deal	33	33	34	32	32	31	0
→ Most Pop/Mo	12	12	12	12	12	12	n/a
Avg Term	3.0	3.0	3.0	3.0	3.0	3.0	n/a
→ Most Pop	3	3	3	3	3	3	n/a
Avg Total \$/Deal	\$707	\$726	\$725	\$681	\$683	\$662	\$0
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Billie Jean King to Be Inducted Into the PTR Hall of Fame

HILTON HEAD ISLAND, S.C. - Professional Tennis Registry (PTR) will present its annual awards in February at the 2016 PTR International Tennis Symposium. The event, which includes more than 40 educational presentations for tennis teachers and coaches, a trade show and tournament, will be held February 17-20 on Hilton Head Island, South Carolina. Billie Jean King will be inducted to the PTR Hall of Fame at the Awards Banquet on Thursday, February 17.

In total, King won 39 Grand Slam titles in Singles, Doubles and Mixed Doubles, including a record 20 at Wimbledon. Her playing ability and activism caught the eye of another Wimbledon champion and self-proclaimed male chauvinist, Bobby Riggs, who challenged King to a match that became the famed Battle of the Sexes (Her

coach was PTR Founder, Dennis Van der Meer). King's victory was also a victory for women and the women's rights movement to which she continues to be dedicated today.

King was the first tennis player and first female to be presented the Sportsman of the Year Award by *Sports Illustrated*. In 1975, she was one of *Time Magazine's* Persons of the Year, and *Seventeen Magazine* readers named King the most admired woman in the world. *Life Magazine* named King one of the 100 Most Influential Americans of the 20th Century. The only other sports figures on the list are Babe Ruth, Jackie Robinson and Muhammad Ali. She is the first woman to have a major sports venue named in her honor, The USTA Billie Jean King National Tennis Center.

King was the first woman

commissioner in professional sports history when she presided over World Team Tennis, which she co-founded, and that celebrates its 40th Anniversary this year. As the coach for the WTT Philadelphia Freedoms, King became the first female to coach professional male athletes in any sport. She also coached USA Fed Cup and Olympics teams.

King was inducted to the International Tennis Hall of Fame in 1987 and was presented with her official commemorative ring at this year's induction ceremony in July. She is also in the Women's Sports Hall of Fame, the National Women's Hall of Fame and the Southern California Tennis Hall of Fame.

The PTR Hall of Fame was created to preserve history and honor excellence. The PTR Board of Directors elects members for

enshrinement. Candidates must be current or retired PTR members and must have contributed to PTR and the game of tennis in a way that far exceeds the norm. Induction into the Hall of Fame is considered PTR's highest honor. King is the fifth inductee, joining Dennis Van der Meer, Jim Verdieck, Dr. Jim Loehr and Arthur Ashe.

PTR is the largest global organization of tennis teaching professionals with more than 15,000 members in 125 countries. It has the greatest percentage of multicultural and women members of any such organization. PTR is dedicated to educating, certifying and servicing tennis teachers and coaches around the world in order to grow the game.

Blink Fitness Appoints Todd Magazine as President

NEW YORK, N.Y. - Blink Fitness, a premium quality, value-based fitness club, announced the promotion of Todd Magazine to President. Magazine

has overseen Blink's expansion of its company-owned locations from four to 37 and has led the development of the brand's franchising initiative, which launched in

June 2015.

Magazine joined Equinox, which created Blink Fitness, in 2012 as the Executive Vice President of New Businesses, where he focused on accelerating growth strategies for the company's new brands such as Blink. Prior to joining Equinox, Magazine held leadership roles at several world-renowned companies, including serving as President of Gatorade, Quaker Foods and Pfizer's OTC business.

"Todd has been a fundamental force in the development and ongoing success of Blink Fitness," said Harvey Spevak, CEO of Equinox. "The company's impressive expansion in such a short amount of time is a direct reflection of his tremendous business experience and leadership skills. Todd has spearheaded the development of Blink's recently launched franchising initiative, positioning the brand for immense nationwide growth

and offering entrepreneurs throughout the country a chance to join this successful business model. We have no doubt that Todd will continue to propel Blink to the next level as a leader in the value-based fitness industry."

Blink is known for its signature **Mood Above Muscle** philosophy, which believes that exercise isn't just about looking good, it's also about how it makes you feel. Blink's **Feel Good Experience** brings this philosophy to life through five key pillars that differentiate Blink from all other fitness clubs: their associates, known as Mood Lifters, greet everyone with enthusiasm and treat them with respect; they have an Everyone Cleans philosophy, so their gyms are always spotless; their inspiring gym design is colorful, bright and open; they specifically select energizing music that motivates; and they have training programs designed to boost confidence.

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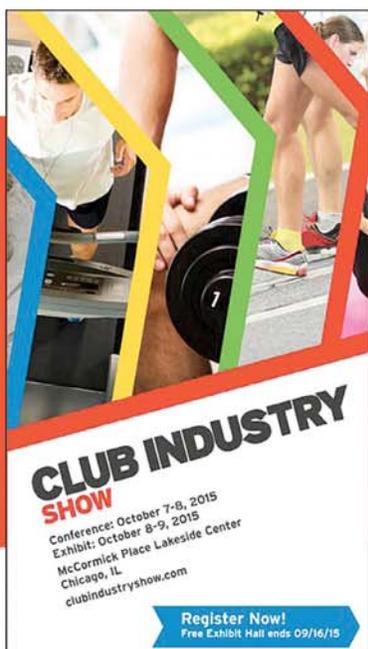
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Programming For The “Fun Of It!”

Outline a Marketing Plan For Small Group Training Management Success

By: Laurie Cingle, M.Ed.

Success with Small Group Training (SGT) is based on 7 Keys: (1) Leverage Your Offerings, (2) Hire and Retain Champion SGT Trainers, (3) Define Metrics, (4) Identify a SGT Manager, (5) Create a Space, (6) Outline a Marketing Plan and (7) Develop a Budget. The focus of this article is **Key #6, Outline a Marketing Plan**.

There are four important actions to outline in your annual marketing plan to grow participation and revenue:

- Launching of brand new SGT programs;
- Consistent offering of sessions of each SGT program on your menu (at least quarterly);

- Scheduling Complimentary Demo Week events (at least quarterly) and;
- Ongoing promotion on the benefits of the SGT programs.

SGT events like new program launches or Demo Weeks are successful with both client retention and client acquisition objectives. They re-motivate current clients, attract new clients and give your trainer team exciting objectives to focus on. For each SGT program on your menu, your marketing plan should include the start of an 8-week session at least every three months (Sessions may also be 4- or 6-weeks in length).

The cornerstone of your plan is a Complimentary Demo Week for each SGT program on your menu:

- Schedule the Demo Week 7 to 10 days prior to the start of your next 8-week session offering.
- Offer demos on various days and times throughout the week - Tuesday 10:00AM, Wednesday 6:00PM, Saturday 10:30AM.
- Limit the number of attendees (maximum 8).
- Require pre-registration.
- Confirm attendance.
- Deliver a great experience in the demo, then present program details and enroll into the full program afterward.

Why does this work so well? When hosting SGT Demo Week events, you are selling potential clients an experience, which makes selling the program easier.

On the marketing calendar, lay out one full year of Demo Weeks and new program launches. Complete by September to: (1) Minimize conflicts in scheduling throughout the year, (2) Create a budget and get approvals by year-end, and (3) Give time to plan the January Demo Week event.

In summary, here are SGT marketing plan must-dos:

- Build an annual SGT marketing plan incorporating new program launches, Complimentary Group Demo Weeks, client-attraction competitions, charity



Laurie Cingle

events, program promotions, client appreciation socials, etc.

• Commit to a minimum of quarterly Demo Weeks as the foundation of the marketing plan.

• Use Demo Weeks to secure new clients in addition to reinvigorating the motivation of existing clients.

(Laurie Cingle, M.Ed., is a fitness business success coach, club consultant and a member of the Leadership Team at Akron General LifeStyles. Contact Laurie 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 in our 22nd Year of this home-based health and fitness club trade newspaper! The thought that this newspaper was founded to serve an industry I truly love, and so that I could become a Mister Mom for my son, Justin, is still intriguing and amazing to us. I wish to extend our most sincere Thanks and Appreciation to everyone that's made this amazing 22-year run possible.

A very sincere Thanks and Appreciation go to Rick Caro, Dr. Gerry Faust and the Faust Executive Roundtable #1 for helping me decide in 1993 what my home-based business would be. Thanks and Appreciation to my long-time friends, Ron Hudspeth and Cathy Miller of Atlanta's Hudspeth Report for the tremendous assistance they provided us during our first 8 years of publication. Thanks and Appreciation to all of the folks at Walton Press in Monroe, Georgia. They've done an absolutely excellent job for us all these years and have printed every one of our 261 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 19 years advertising with us! We also want to say sincere Thanks and Appreciation to all of our CLUB INSIDER Contributing Authors, past and present, who've contributed hundreds and hundreds of excellent articles to help our readers with their Best Business Practices. Thanks and Appreciation to IHRSA for all it does.

Sincere Thanks and Appreciation to my son, Justin, who started working part-time for CLUB INSIDER when he was just 8 years old (helping with mailings). This young man, pretty much behind the scenes for 22 years now, has truly been a fantastic partner for his Dad in CLUB INSIDER. Justin does our editing, publication layouts, all of our website design and maintenance, all of our bookkeeping and subscription processing work, as well as archive management and anything else that needs doing, including writing eight cover stories per year.

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

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

Norm Cates, Jr.

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