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CLUB BUSINESS INTERNATIONAL

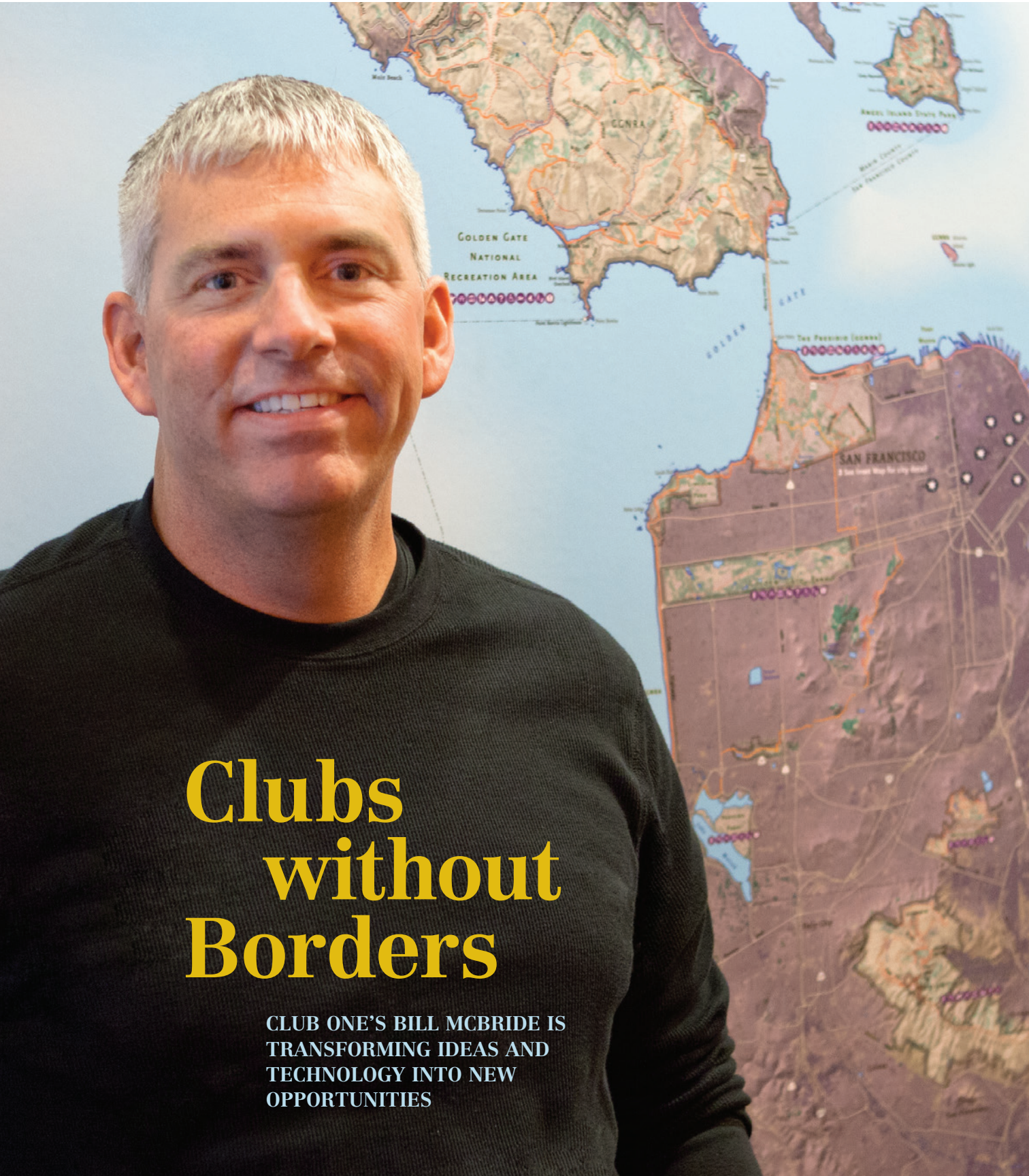
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Clubs without Borders

CLUB ONE'S BILL MCBRIDE IS
TRANSFORMING IDEAS AND
TECHNOLOGY INTO NEW
OPPORTUNITIES



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Bill McBride

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Club One, Inc., has an impressive domain. It owns and operates 24 Club One sites; manages two hospital, 53 corporate, and 10 community fitness centers, and seven commercial clubs; and also operates a fitness equipment services business. To keep Club One healthy and growing means that it needs to stay on top of new ideas, technology, and trends. That's where Bill McBride—who's also the chairperson of IHRSA's board of directors—comes in.

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A room-by-room guide to club risks



Club One, Inc., President and
IHRSIA Chairperson Bill McBride

Bill McBride

The chairperson of IHRSA's board of directors identifies a wealth of new opportunities for industry growth on a number of fronts

By Jon Feld

CBI: Let's begin by talking about your strong interest in marketing and technology. How do you think IHRSA clubs are doing in terms of adopting and leveraging social media? What are some common weaknesses?

BILL MCBRIDE: Many clubs are starting to get it—to understand the power of technology and social media and how they relate to consumer behavior. However, they need to realize that there's more to it than social media. They need to recognize that there's been a mega-shift both in the way that people access and consume information, and in how we have to communicate to prospects and members if we want to remain relevant. The generation and consumption of information is going to continue to evolve, and increase, at a mind-blowing pace.

CBI: Can you provide a few examples of companies in other industries that you think are getting it right—or, possibly, not doing so?

BM: Apple and Southwest Airlines excel at sending relevant messages to their audiences. Hard Rock Hotels and Banana Republic are also very good, but, while they know enough about their customers to address their interests, they sometimes fail to hit the mark in an exact manner. For example, using customer survey information to assume that they've never used the cafe because they didn't during their last visit—that's not really knowing a customer's behaviors.

Technologies are only as good as the data and the customer information that you put in; the GIGO principle—i.e., garbage in, garbage out—applies. Knowing your customers and having accurate, current, and comprehensive knowledge about them—those are the keys to effective social media and technology-enhanced communications. Without them, clubs will miss the target. ... Also, there's an opportunity for operators who may think that having a Facebook page is a social-media strategy to do a lot more with respect to a full marketing strategy. Facebook should be viewed as another form of engagement, a "place" of community—one component of a club's marketing initiative.

CBI: How would you rate Club One's own social-media marketing efforts?

BM: I'm biased, of course. What I can say is that we're definitely committed to evolving, and to knowing our customers as thoroughly as possible so we can provide them with effective solutions and serve them even better. We've assembled one of the best marketing teams in the industry, but, like everyone else, we're learning as we go.

CBI: You're also working with mobile applications. For instance, you've entered into a partnership with MiGym, a brandable iPhone and Android app that provides users with information about your clubs. Why did you choose MiGym rather than developing your own app? →

Highlights

- » Tapping technology
- » Entrée to healthcare
- » Eye on medical fitness
- » An agenda for IHRSA

Bill McBride, 47, earned a bachelor of science degree in business administration with a concentration in marketing from East Carolina University in 1986, and, shortly after graduating, became the general manager of the V.I.P. Fitness Center in Fayetteville. He subsequently worked for several independent clubs before being named sales director of the Sport & Health Clubs, the McLean, Virginia-based chain, in 1993, eventually becoming senior vice president. In 2003, he moved to Club One, Inc., based in San Francisco, where he served in several capacities before becoming president and chief operating officer in January 2011. Today, the company owns and operates 14 Club One sites, and manages two hospital, 53 corporate, and 10 community fitness centers, as well as seven commercial clubs. McBride has served as the vice chair of IHRSA's board of directors, and on its finance and public policy committees, and is now board chairperson. —

BM: We'd identified a strong need for a mobile application, and our board of directors challenged us to pursue the possibility. The first step was for us to think about the *other* things that we needed to work on in our marketing department—our Website architecture; a B2B Website upgrade; our member acquisition and retention technologies; our information and segmentation tools; our call and tracking solutions; and our advocacy platforms.

Next, we researched mobile apps, we found out what large club companies had paid to create custom applications, and we compared the ones that were among the best with MiGym and the functions it offered. We concluded that, rather than develop our own app, it would be better to make use of a firm that's spread the development costs

unpaid marketing force—and we were one of the first club companies to adopt their technology. We've been very pleased with the way it's helped us to identify our advocates, create online testimonials, and place an offer—such as a free, two-week trial membership—in the hands of our advocates. They're then able to share it with their friends through e-mail and social networks such as Facebook and Twitter.

Since we launched our pilot program in 2010, our efforts have produced hundreds of new memberships and thousands of leads. We've identified over 10,000 advocates within our membership ranks. And we expect to see a lot more over time. We've also increased our level of engagement with advocates, generated more word-of-mouth referrals, and, in

even a year or two ago. Club companies of varying sizes with different strategic goals should identify those vendors who can help them obtain the outcomes they desire.

CBI: Speaking of outcomes, let's switch to another topic that you're particularly interested in—that of healthcare. Recently, the government has become more aggressive about holding providers accountable for medical outcomes. What are the ramifications for health-care—and for clubs?

BM: Healthcare costs have skyrocketed, and, under healthcare reform, the government is focusing on three primary outcomes insofar as they relate to government-paid procedures—outcomes having to do with congestive heart failure, acute myocardial infarction (heart attack), and pneumonia. When patients are readmitted with any of these three conditions, providers will be required to provide the necessary care, but won't receive any additional government payments. So there's a compelling financial incentive to ensure positive outcomes. ... For obvious reasons, companies are also heavily incentivized to have a healthy employee population, a low claim rate, and, as a result, more reasonable insurance premiums.

“We need to move beyond the tipping point, so that the question is no longer, ‘Do you belong to a health club?’ but, rather, ‘Which health club do you belong to?’ It might sound a bit ambitious on my part, but we should have a penetration rate exceeding 50%.”

across numerous club companies, and that's constantly updating the features on its app.

The Club One-branded solution that we purchased has met our immediate needs, and the app continues to evolve via our partnership with MiGym.

CBI: You've also made use of the services of Zuberance, Inc., a social-media marketing firm, and, in fact, have joined its advisory board. How effective has its advocates' platform been in generating leads for Club One?

BM: Zuberance was one of the early promoters of the concept of advocacy marketing—which is designed to turn enthusiastic customers into a powerful,

fact, created a persuasive, ongoing marketing force.

CBI: It sounds as though you're placing a great deal of trust and responsibility in a few vendors. Do you have any concern about that?

BM: While I endorse MiGym and Zuberance, we're constantly challenging our vendors to improve on what they do, and we're constantly looking at the newest tools and technologies that are coming into the marketplace. The world is evolving at a rapid pace, and our corporate strategy will always come first over any particular vendor. That said, strategic partners can help you to think about certain issues differently, and accomplish things that weren't possible

CBI: And for clubs ...?

BM: With the shift in medical-outcome expectations, we now have a situation that encourages medical providers not only to be more responsible with regard to the services they provide initially, but also to be more accountable with respect to behavioral change thereafter. This should translate into a real opportunity for IHRSA facilities.

For years, our industry has touted the preventive benefits of regular exercise for a whole host of diseases and medical conditions—arthritis, obesity, diabetes, hypertension, asthma, heart disease, stroke, cancer, and Alzheimer's disease, among others. At the same time, it's become increasingly clear that

exercise has an incredibly important role to play in the treatment and post-treatment recovery period for these and other conditions.

We've wanted to be viewed as a part of the healthcare continuum for a long while, and, now, given Medicare/government payee programs, we have an improved opportunity to make that happen. This development should translate into an enhanced alignment with medical providers, insurers, and employers, with clubs providing a valuable piece of the healthcare solution.

CBI: That provides a nice segue to the topic of medical fitness, another area that you follow and have a fair amount of experience with, given the fact that Club One manages two hospital fitness centers. What do you regard as the principal differences between traditional and medically based fitness facilities?

BM: These may be broad generalizations, but here are a few of the differences.

Many hospital-based wellness centers have been built for, and have focused on, medical programming and, in the process, have differentiated themselves from commercial health clubs. In general, the hospital centers seem to appeal more to a slightly older demographic, and tend to skew a bit higher with respect to female-to-male participation. They've had the opportunity to position themselves as holistic solutions for wellness-minded individuals—not just seniors and medical program participants—without becoming stereotyped as a place that's just for fit, healthy people.

A typical hospital center has higher member retention than most clubs; its members view it as something of a necessity, rather than a luxury. And the centers are able to appeal to a broad

HEAR HIM IN PERSON AT IHRSA 2013!

IHRSA Chairperson Bill McBride will discuss "Megatrends in Management: Leadership and Navigating Change," 1:30-3 p.m., on Wednesday, March 20. He will also participate in a panel discussion on "Membership Sales and Service: Two Sides of the Same Coin," 1:30-3 p.m., on Thursday, March 21. —

community of nonmembers, while regular clubs are often limited to targeting the typical club prospect.

The two types of facilities have much to learn from one another.

CBI: Now let's turn our attention to you. You've been involved with this industry since 1986. What's surprised you the most over the years, and, especially given the fact that you now head up IHRSA's →



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board of directors, what would you like to see happen going forward?

BM: What's been surprising to me are the industry's low population penetration rates and its high member attrition rates. We need to move beyond the tipping point, so that the question is no longer, "Do you belong to a health club?" but, rather, "Which health club do

you belong to?" It might sound a bit ambitious on my part, but we should have a penetration rate exceeding 50% of the population and attrition rates below 30%. If we achieved both, we wouldn't be able to build clubs fast enough to accommodate the demand.

CBI: What do you hope to accomplish during your tenure

as IHRSA chairperson? Do you have any personal goals?

BM: I hope to be able to help the board improve the association's financial viability and increase its financial resources so we can do even more for our member clubs and associate members. The industry partnership between clubs, equipment manufacturers, and other suppliers has never been stronger, and I'd like to see it stronger still. Another item that's of particular interest to me, personally, is the possibility of resurrecting the IHRSA Institute, a program that helps shape and support the industry's future leaders.

CBI: You've spent much of your career with multiclub organizations. How effective do you think you can be in representing independent operators and IHRSA's other constituencies?

BM: While that's true, I'd like to point out that I've also worked for six independent club companies, each of which had between one and four locations. I have a very clear understanding of the trials and tribulations of independent operators, who, in reality, serve the bulk of the nation's club members. It was as an independent operator that I began to appreciate IHRSA and, subsequently, joined the association. Initially, I did so for the educational opportunities, to research equipment and supplier offerings, and to enjoy a sense of belonging to a true community. As a multiclub operator, I learned more, and came to understand exactly how important IHRSA's efforts are with respect to public policy and its stewardship for all of its members.

Positioning IHRSA to serve individual clubs, multichain club operations, franchises, and associate members requires attentiveness, openness, and transparency. Those are qualities that every member of the board, including myself, endorses and that we're committed to. We know that, together, we are, indeed, stronger! —

– Jon Feld, jfeld@inc.com



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