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Blair McHaney's Gold's Gyms

Making a National Brand Feel Local

By: [Justin Cates](#)



We all know the major national and worldwide health and fitness club brands. Some are large and getting bigger, and others are coming of age. Economies of scale gives them the ability to make media buys on par with their size, keeping their brand top-of-mind in respective markets. This alone can drive traffic through their doors, both in large communities as well as small ones. Some, however, forget one important thing. Genuinely connecting at the local level, deep within a community, can make a difference. It can make a difference in the eyes of local citizens, which can then make a difference on the club's bottom line. In the town of Wenatchee, Washington, and its sister neighbor, East Wenatchee, this is exactly what Blair McHaney has done with his two Gold's Gym locations.

Wenatchee and East Wenatchee are not large cities. They are small towns driven by local agriculture with the growing of cherries and apples. Every year is a fire drill, as Blair puts it, and

people know their neighbors, from down the street to across town. What he has done with his Gold's Gyms, though, is on this same level. From personalizing the club's look and feel to the local neighborhood it is in, actually recycling an abandoned school and keeping its historical basketball floor intact, to award-winning community outreach efforts, the Gold's Gyms in Wenatchee and East Wenatchee are truly part of the community.

This is the essence of the Gold's brand, though. As Blair says in the interview that follows, "The way Gold's Gym succeeds is by being able to morph to its community and not have that cookie cutter box. The cookie cutter box would be the death of the Gold's Gym brand."

At the national level, though, Blair has also been deeply involved. On behalf of the brand, he has toured clubs across the country to learn from the best and bring that information into Gold's. As President of the Gold's Gym Franchise Association (GGFA) from 2007 until 2010, a tumultuous time period with Gold's Gym International (GGI), he successfully led the way to bettering the brand, a completely different result than what could have occurred. Now, after almost thirty years of business in the industry, he is one we can all learn from. So, let's do just that, as **Club Insider** presents an in-depth interview with Blair McHaney.

An Interview With Blair McHaney



Blair McHaney Club Insider (C.I.) - Please tell us about where you grew up and were educated. Were you involved in sports as a kid?

Blair McHaney (BM) - Primarily in the Wenatchee valley in Wenatchee, Washington and oddly enough, also in Las Vegas. My mom lived in Las Vegas and my dad lived up here in Wenatchee. I went through most of grade school in Las Vegas and then moved up to Wenatchee and went to Junior High and High School here. I grew up playing hockey, and then, I eventually coached high school hockey also. As a kid, I played baseball, football, basketball and hockey, but by the time of high school, hockey was my sport of choice.

The Training Station

C.I. - Please tell us about your first club, The Training Station, which you opened in 1983 in the bottom level of a mini-storage building. What size was it and what were your key offerings?

BM - It was just over 6,000 square feet, and all we offered was weights. That was it. It was all concrete. It was the hardcore, dungeon gym. It just so happened that we were looking for a place to put a gym and a longtime family friend, who was a developer in Wenatchee, showed us a space. Our entrance was on an alley. We had no dedicated parking. You parked on the street, and there were a few spots in the alley you could park. He took us into the basement of this old parking garage. The ceilings were about ten feet, but you also had these big concrete columns running through it that dropped down to about eight feet. There was a ton of overhead pipe and steam that they used to run up to the offices on the top floor.

It was a nightmare, and we spent a month with cutting torches just cutting stuff out. It was a ton of hard, greasy work. My background is I am a journeyman carpenter, so I have done a lot of construction. I've done both commercial and residential, not as a contractor, but as a carpenter. In that, I learned a lot of other building skills as well, so we did all of our own stuff. We did everything ourselves. It started off as a dungeon, but by the time we were done, it was pretty cool.

C.I. - In 1986, you moved to a new 10,000 square-foot location. Please tell us about that facility and your motivation for the move. What did it offer?

BM - We had grown and were getting crowded. The same landlord, who owned a different building and had just remodeled it, said, 'Hey, I have a space you ought to look at.' It's really nice to have great relationships in business and in community because you build a lot of trust and you work with people you know who trust you. In this case, the landlord said, 'Oh, I'll just kill that lease. Let's do this.' If you have that kind of trust, you can just make stuff happen really fast.

So, we took a major plunge. Our rent went from \$750 a month to \$3,000 a month and scared the life out of us. The real downside of it was that it was on an upper floor, but we managed to have modest success up there.

By this time, we had a couple of Tunturi Bikes. We bought a LifeCycle, and I purchased the first Stairmaster ever sold in the State of Washington. So, we had a few pieces of cardio. Actually, we had that at the old club before we moved in '86. That Stairmaster was our first real piece of cardio. So then, we began to invest more in cardio equipment, which were mostly LifeCycles at the time, and we had some Quinton Treadmills. I remodeled up there and put in a group exercise room, and we had a hot tub, too. That was about it. It was still just fitness only.

Becoming a Gold's Gym

C.I. - You moved to your present location in 1996, took on a business partner and joined the Gold's Gym chain. Please tell us about the combination of those moves.

BM - I grew up with Gold's Gym emblazoned in my mind. I graduated in 1977, and *Pumping Iron* came out the same year. By that time, I had been religiously into weight training since I was 14. Gold's was kind of *the thing* to anybody who was in that culture of weight training. So, I really wanted to be a Gold's Gym from day one, the first day of the Training Station. It wasn't possible then. So, in 1995, we were in a space where we really needed to make some changes and either get bigger or downsize and just do personal training.

This is the nature of a smaller town. Another close friend of mine, who's also a developer, had a piece of property that had been in his family for a long time, and he was able to build a 15,000 square-foot building for us. We put our first Gold's Gym in and opened it in 1996, the day after Labor Day. It was an instant boom for us at that time. Membership doubled in the next four months. It was instant. What happened was we had the building built, and then it was all-hands for three days. We closed the Training Station at 2PM the Friday of Labor Day Weekend. That's kind of appropriate... it was nothing but labor. We put a crew together, family and friends, and we opened at 5AM on Tuesday. Everything had been moved, and the place was ready. Of course, the offices were stacked high and deep with crap because you are just scrambling, no sleep, but it was pretty neat.

As for my business partner, Jacki Thomas, she and I are not just partners in business, but we have been together for 21 years. She used to have an aerobics studio here in Wenatchee. If it wasn't for her, I wouldn't have been able to do any of this really.

C.I. - Was the boom in the business because of a combination of the new Gold's name and location, or how did this come about?

BM - I've heard other operators who have been in business as long as I have say the same thing I've said, and I am always wishing we could have talked a lot earlier because we have made every mistake you can possibly make. I wish I could stop making mistakes, but I don't appear to do that. That said, no one would have chosen this location. Thom Plummer would have looked at me and slapped me around for this location. We have the Columbia River on one side of us and railroad tracks on the other side. It's just sandwiched between the two, and we have very little visibility in this location, but the price was right. We have a lot of relationship capital in our community, though. So, to that question, the boom was both. In a town like this, the very fact that something is being constructed gets a lot of play. When we did our second Gold's location in 2008, which occupies the space that was the stand-alone basketball gymnasium of the old Eastmont High School, everyone in the valley seemed to understand that it was a giant, wonderful recycling project. People were so appreciative because this whole former high school building had been abandoned for five or six years and we converted it into a new Gold's Gym! It just got a lot of attention.

C.I. - What were the key reasons you joined Gold's?

BM - This was something Jacki and I really tossed around. I really wanted to be a Gold's Gym, and we decided it would be two-fold. It would be offensive and defensive: (1) We could maybe attract more people, and (2) Having a national brand might help keep other competitors out. It was those two things. We went to our first Gold's convention in 1995 and have been to every one since.

C.I. - You and Jacki took on two additional partners in 2008 to open your second Gold's Gym location. Who are they, and how is the new club doing? How far is it from your original Gold's? What are the key differences between your two clubs?

BM - First of all, we are so fortunate to have our partners, Brent Anderson and Dianna Weeks. We created a list of criteria that would be acceptable for finding partners. Brent and Dianna are first class, helpful, fun, and we appreciate each other, which I suppose in a literal sense means we increase one another's value. For the gym, we really thought the Valley was underserved.

When you have a river that runs through the middle of your valley, even in a small town when commutes from one side of the river to the other are seven minutes at the longest, people don't cross the river. It's one thing for companies to do demographic research. It's another to go down and really understand the local knowledge of a community, and the local knowledge about this community is people don't cross that river. I mean, they do, but it's one thing to go grocery shopping once a week and quite another to go to a gym four or five times a week.

So, we thought maybe the other side was underserved. We looked at it more and more and thought it was more real. We had been looking at locations over there for five years. We looked at the school conversion back in 2003, but we didn't have the wherewithal to do it at that time. So, what happened was a developer came along and looked at that entire old Eastmont High School that was vacant. They thought they could put together a business office there and really make this a cool project. They took it on, and we got a call from them asking, 'Are you interested in the building?' We said, 'Yep, we have been interested in it for a long time.'

A Building With Great Bones

It is 22,000 square feet, and it is what was formerly the basketball gym at this high school. It's a building with great bones. It's all concrete and has wonderful hardwood throughout. It's just a beefy building. They essentially gutted it except for the basketball hardwood floor, which we repurposed and kept in there. It has thirty-foot ceilings and just has such an incredible feel to it.

We have been unbelievably fortunate with our landlords. We have a phenomenal landlord at our Wenatchee location. He has not just been a landlord but a friend and mentor. At our new East Wenatchee location, these were people we didn't know, so when we started this deal, we did a little research on them and found out they were this family business from Oregon and were just rock solid.

Our clubs very much fit the neighborhood they are in, and that's intentional. The Wenatchee gym is in more of an industrial area, and it has more of an industrial look. For example, our countertops are half inch steel, the same thing you would do shipbuilding out of. We ground them down, and there's a clear coat of epoxy on them. We tried to keep the essence of the school and neighborhood in East Wenatchee, even the artwork. When people first come into the club, there's a nice little fireplace lounge. People don't really notice it at first, but if they start looking at the artwork, we went to the school district over there, they gave us yearbooks all the way back to the first year Eastmont High was there in 1955, and we scanned in a bunch of photos and had them blown up. That's the artwork. We wanted to really celebrate what it was, not make it something it's not. The hardwood under all our selectorized equipment is the old basketball floor. We just kept it in there and put rubber over it where we have the weights.

As I mentioned before, the way Gold's Gym succeeds is by being able to morph to its community and not have that cookie cutter box. The cookie cutter box would be a bad idea for the Gold's Gym brand. Here's another essential difference. Our East Wenatchee club has way more seniors because it's easier to get in and to get around. It has a little easier access, and we put in a Technogym Easy Line in over there. We run that as a class for seniors three times a week. At

both clubs, we do Free Coffee Friday, and what we found is our senior population just loves it. They will hang out there for hours.

By the way, we opened July 1st of 2008, right on the threshold of the recession. Here were some more mistakes I made. Let's broadcast these mistakes out there so maybe no one else will make them. We did two months of presale, when we should have done four or five. I know there are some models out there now that are doing no presale and doing fine, so I'm not saying I have the answer on it. I'm just saying we should have done four or five months of pre-sale. Wenatchee has four very distinct seasons, and it is a very athletic, outdoorsy town. Opening in July was a bad idea. It just didn't ramp up fast enough. June, July and August in Wenatchee Valley can be pretty empty in a gym. So, we did too short of a presale, we opened July 1st and we only got three months rent free when we should have insisted on six. Three rules for me, personally, for opening another gym will be (1) Get six months rent free, (2) Do four or five months of presale, and (3) Open in October or November. Those were the mistakes we made that we will not make again. So, the recession hits, and it's a struggle. We were able to work with our landlord at the new East Wenatchee location, and we bought it. We just closed the deal last month, so we now own this building. It freed up a lot of cash flow for us, and the reason it did so is because we had a great relationship with the landlord, they worked with us on getting an SBA loan, restructuring some finance. It's just so nice to have someone you can trust in those positions.

Things are looking really good now. As we just closed out May here, we have growth over last may, and last May was pretty good. June is looking good so far, but you never know. In 28 years, August still scares me. This is a very agrarian community, and our community thrives if we have a great apple crop and a great cherry crop. That feeds everybody. It's a big deal and brings a ton of money into this valley. This might sound foreign to a lot people, but if you've lived in a community that is a major cherry grower, it's like a fire drill every year. It's panic. It's constant panic from the time the cherries get ripe until the last cherries are off the trees. The growers, packers and shippers; nobody gets a day off. Once the fruit is picked, it has to get to market, and you are fighting the weather. So, our community goes into this frenzy. It's really pretty amazing. There are trucks buzzing all around, hauling cherry bins everywhere. It's kind of exciting and pretty cool, and if you hear a thunderstorm, everyone panics. In August, that goes away, and it's right before the apple crop really starts to ramp up, so people just vanish.

Award Winning Community Outreach

C.I. - Last year, your club organization received recognition with the Gold's Gym Best Community Outreach Award, voted on by fellow franchise owners. What do your community outreach efforts include?

BM - Well, we do a lot. We are very good on social media here, but we also participate a lot with the local teams. We have a junior hockey team called the Wenatchee Wild that is very popular here, and we do a lot for their memberships, their coaches and any incoming teams. We do fundraising at Wenatchee Wild hockey nights. We have a semi-pro arena football team here called the Wenatchee Venom that we partner with, and we have a great semi-pro baseball team called the Wenatchee Applesocks that have been awesome partners for us. And then, we work a lot with both high schools, Eastmont High School and Wenatchee High School. I think other franchisees do this as well, but our team is pretty good at it. That is, we are going to spend this

much money on advertising and marketing to promote our business in the community anyway, so what can we tag on to this that allows us to synchronize our business philosophy and utilize our platform to bring value to somebody's project? Our primary focus out in the community is to do fundraising for what we call the Dr. Richard Tucker Project. Dr. Tucker was a very close friend and member for a very long time. He left the gym one night, and about three blocks away, got broadsided by a drunk driver and was killed. He was a champion for Diabetes education and prevention. With permission from his family, we went to a local foundation, of which he was one of the founders, and we asked them to brand a project we could start raising money for in his name to keep his name alive out there. So, that's what we do. We partner outside to raise money for the Dr. Richard Tucker Project, and all the money goes towards Diabetes education and awareness.

The GGFA

C.I. - When and how did you become involved in the Gold's Gym Franchise Association (GGFA)? How did it relate to Gold's Gym International (GGI)? Why is GGFA's role important?

BM - I got involved in 2003. Jerry McCall called me and asked if I would serve on the Board. If Jerry McCall calls me and asks me for something, my answer is going to be 'yes.' So, I served on the Board, and as John Burris came on as President, I came on as Vice President. When John's tenure was over, I became President. With the GGFA, we have about 75% of the franchises in North America as members. It was started by Jerry McCall, Jeremy Lowell and Angel Banos to be able to have a voice to negotiate when Brockway Moran was buying the brand and there was going to be a different franchise agreement. It was set up then, and that sort of established the purpose of the GGFA from the very beginning. In 2007, we signed an agreement with GGI to have a National Franchise Council. It was a ten-year agreement that said there will be three people that sit down from the GGFA, one being the President, and three people that sit down from GGI, one being the CEO or President, to speak once a month by telephone and meet a few times a year face-to-face. The agenda is open. It's whatever we want to talk about in the system. While they were really stressing franchising and wanting franchising to really grow, that then gave franchisees a seat at the table for their future. It's not a place where you vote. It's still not a democracy. They own it and can do whatever they want to, but what it does is provides some transparency. The agenda will be discussed, and then, the GGFA will report back out to its Board and its constituencies. It at least allows for a seat at the table and a voice for the future.

Three things have to exist for the GGFA to be relevant: (1) It has to maintain a good membership base, (2) The franchisor has to care about franchising, and (3) They have to care about their public reputation. If you lose one of those things, then having a voice really doesn't matter and having transparency doesn't really matter. If you are not speaking for very many people or if the franchisor decides they aren't going to care about franchising anymore, and on top of that, they don't care what your group says about them publicly, then you can be as transparent as you want and have as big a voice as you want, but nobody cares.

C.I. - What are some of the products, services and benefits of GGFA?

BM - There's a lot! The GGFA Webinars are incredible. I have to give credit here where credit is due. There's some great franchisees on the Board. People who put in a lot of time and effort. *I will tell you though, since Ginger Collins became the Executive Director of the GGFA, the*

increase in value has been incredible! We charge \$43 a month per gym, and it's been the same for seven years, but the value has gone up 20-fold while Ginger has been the Executive Director. We do some group purchasing. That has been kind of cool; shirts, key tags, stuff like that. But mostly, it's education; operations, sales, just about everything. The Owner's Conference that we hold in the fall is sort of a lodge meeting of the GGFA, and beginning this next year, it's also where votes will be taken for the Board and executive positions. Then, there are these little gems that have happened. One is called *Ask the System*. This really demonstrates the value of a peer group like this. People submit questions they want to ask the system. It could be anything, but they are generally tactical operational and marketing questions. Ginger, Deb Collins and Sarah Barrett will throw the question out to the system. People pile on and give their answers. Once they give their answers, they publish a document with the answers to the question, and it moves very quickly. It's really a powerful tool, and we get a ton of comments from it. You're getting regional ideas, people with fitness only or multipurpose clubs. People are responding differently, and it really gives you a nice, large set of eyes out there, looking at different solutions. They also maintain constant communication about what is going on out there. They partner with GGI on some of that communication.

C.I. - Please tell us about your time as President of GGFA (2007 - 2010). Tell us about the change in ownership of GGI and the changes in the franchise agreements, all things you've been through in your 28 years in the industry.

BM - Well, this was a bit of a tumultuous period there. It was really a tough time because there were material changes happening in the franchise agreement. From a franchisee standpoint, we looked at this and said, 'Oh my God, if these changes come through, we are going to lose a lot of franchisees. A lot of them are going to leave.' From GGI's standpoint, they were saying, 'We don't think that's true. We think we can make these changes and a lot of people won't leave.' So, that starts the two positions. Then, it's our job as the GGFA to persuade them that people *really were* going to leave, and they were going to leave in droves if we didn't change something. We have an incredible attorney named Andy Selden, who really understands franchising from both sides and how franchisors and franchisees can work together to create entire systems that are better. So, with the help of great mentors and great counsel, we went through this ridiculously protracted negotiation to get the Legacy 2 franchise agreement formed, which had certain value propositions in it for these franchisees who have really built the brand. My time in leadership was really involved with a phenomenal Board, and we got quite a bit of stuff done. We got the National Franchise Council in place. We got the Legacy 2 franchise agreement agreed on, making a lot of people real happy. You can never predict the stuff that didn't happen. It's sort of like saying I don't know how many heart attacks I prevented, but you know the ones that happen. *I really think that, at that point, the work of the GGFA Board really saved the brand an unbelievably damaging blow that we would have been an exodus of over 200 clubs.*

Character and Capability = Full Trust

C.I. - What were some of the things you did that made you effective in that leadership role as President of GGFA?

BM - I think it starts with this understanding that we are not going to get anywhere if we walk in there with the franchise agreement in our left hand and a fist with our right hand. Understanding that trying to force our way through this isn't going to work. That's the starting point. If I am

good at something, it's probably building relationships, but I'm also very candid and straight forward with people. I think I was fortunate that, at the time I became President, we shared a lot of trust with each other overall on the Board. There was just a tremendous amount of trust there, and whenever I was able to speak to franchisees more broadly, I think I was able to build a lot of trust there. With anybody in any leadership position, if you can't get people to trust two things -- your character, first of all, and your capability, second of all-- you're not going to get full trust. I am a chronic student. If there is something I don't know that I think I need to know to accomplish something, I will study harder than almost anybody you've ever seen, and I will find a mentor and learn everything I can from them. I've read every word of our franchise agreement multiple times. So, I think part of what made me effective was I went on this very fast track to learn everything I possibly could to fill in the gaps of what I didn't know but felt I needed to know. Then, I had shared trust on that Board. It was just a very good Board.

A key thing in leadership is to stop trying to look invincible. I don't have any formal education. I graduated from Wenatchee High School. In a year, I will probably read 50-60 books, and that has been for probably over ten years. For me and my staff, I think it's phenomenally important that you take responsibility for your own growth. Don't say, 'Well, they're not educating me, or they need to put me in a training program.' Sure, that's okay if that stuff comes up, but a lot of people out there right now can't afford to be doing that, and every single person needs to be responsible for his own growth. That's something I've believed my whole life and taken very seriously.

The Gold's Gym Member Experience

C.I. - Please share your thoughts on what makes your gyms unique, things such as your "Onboard" member integration, servicing and retention program and your Medallion Program.

BM - We look at the member experience as one long process, and it's made up of a myriad of touch points. We break it down into four big buckets. Advertising, marketing and PR is usually the first touch point people have with us. Then, they come in and go through a selling process. Those are usually linked by a phone call or a step over a threshold. When the selling process is done, for us, they move into integration, the member 'onboarding' process, and there's another link between those two processes. Once that process is done, they go into what we call here in Wenatchee, 'conversion,' and that is when we are trying to convert them into a loyal, lifelong fan. So, the process starts with awareness of us, and it moves through these touch points.

Through each of these sub-processes, advertising/marketing, selling, member onboarding and conversion, a transformation should happen. Through the *first one*, a *civilian* should transform into a *prospect*. Through the *second one*, a *prospect* should transform into a *new member*. Through the *third one*, a *new member* should transform into a *comfortable exerciser*, in our terminology. And finally, through the *fourth one*, a *comfortable exerciser* should transform into a *loyal, lifelong fan*. Once we break it down into those processes, then we look at the actual tangible and actionable things humans do during those processes and whether we are doing things that contribute to our objectives in each of those.

So, what we defined in that *member onboarding process* might be the single biggest thing where we need to innovate and master because if we don't get that done, then we are not going to get to the loyal, lifelong fan part.

"God, I love that place!"

The next thing is *loyalty*. I think our industry mislabels this a bit. *Retention is not loyalty*. You can use tactics to get retention. Speaking sort of philosophically here for a minute about loyalty... You certainly don't want to lose their body and wallet out of your gym, but something happens before that. If you can get people to think more like, 'At what point do they stop loving me?' If you lose their *heart*, their body and wallet is going to follow at some point. Here's where we mess it up usually. You can lose their body and wallet and not lose their heart. This happens all the time. We have this standard quiz during our *Context Training*; of all the customers we have today, how many of them will not be our customer someday? The answer is 100%. You are going to lose all of your customers. They are either going to cancel their membership, or their estate is going to cancel their membership when they die, but you are going to lose 100% of them. So, let's forget this notion about creating a lifelong member (which is different than a fan). Let's just recognize that you are going to lose every single one of them. *What I can't afford to lose is their heart*. No matter where they go, for the rest of their life, I want them to say, 'God, I love that place!' With that as an objective, you back up from it and ask yourself, 'What does our cancellation process look like, what kind of contracts do we have and what are we doing?' You start to question everything.

Also, picture this. Let's say you've done absolutely everything you can and there is nothing else you can do. You're going to have 20% attrition no matter what. And by the way, we all know that, if you are using the right numbers, that is a ridiculously low number for attrition, but let's say that's it. Actually, let's say you can only get it down to 40%. *There's a big difference between 40% attrition in a club that has people leaving who love them (the club) and 40% attrition in a club that has people leaving who hate them*. Most of the people who join your clubs have had memberships before. Here so far, year to date, 74% of the people joining our two gyms have had a membership somewhere before. Of those, 40% have had memberships at our clubs before. So, in other words, people leave for different reasons. *They need to want to come back to you when they are ready to walk back in a gym*. How did you treat them when they were there? What did you do during that cancellation process? Are they going to be a candidate ever again?

A lot of people say they have great customer service. Let me tell you, when you start to really understand customer experience metrics, you now have a leading indicator that tells you what is likely to happen when you do certain things. Do you have a *lot of relationship capital* with your members or *very poor relationship capital*? We utilize Net Promoter Scoring, staff friendliness scores, overall experiences scores, gym cleanliness, equipment condition, etc. Our surveys are only about 2 1/2 minutes long, and they are available to all Gold's Gyms in the system. Not everybody utilizes them yet, but I think we are getting close to 300 gyms using them. It's a wonderful automated system that does the email surveys and puts it into a dashboard in a great way for us to manage that voice of customers. We utilize it internally to make changes and externally to fix a relationship if necessary. It's a powerful system for us.

I'm hoping our industry starts to better understand customer loyalty. Me too, I want to understand more about customer loyalty and look at companies like Apple and Nike Retail. Facebook actually does a lot of customer experience metrics. The Four Seasons... These companies can show you the difference between a high score, a low score and the amount spent between those customers, and it monetizes.

Looking to the Future

C.I. - What do you see as the future for your clubs? For GGFA? For GGI? For the industry as a whole?

BM - For Our Clubs - As we hit our profitability numbers on these two clubs, our plans for our business model, where we think our sweet spot is, are smaller communities in the Pacific Northwest. That's our broad objective. We are looking for smaller communities that are what we call isolated, meaning it's not a small community that's part of a larger community. We are looking for 80,000, maybe in some cases even as few as 50,000 people. It has one newspaper, probably a choice of only a few radio stations and the big competitors are not looking at them. At least, we don't think they are. We think there's an opportunity there. Also, the way we operate, we want to be in a community where we can really be part of the community. That's a big deal to us.

For GGFA - If I had my way, my aspirations for the GGFA would be to keep doing what it's doing. Keep building out the education. Bring together as much information from franchisees as possible. Franchisees need to look at the GGFA and understand that's their company. They own that company, and they need to help build value in that company by providing it information when it needs it so that it can make that information available to all franchisees. The GGFA is an incredible vehicle for helping franchisees become more profitable. It's an incredible vehicle for having a voice to the franchisor. So, as long as the franchisor wants franchising, they need the GGFA.

For GGI - I'm a few degrees removed now, but Mike Epstein is one of my favorite people ever. He's the President of the GGFA now, and he might be the best relationship builder I've ever met in my life. He's just a really smart, passionate and hardworking guy, and he just has a lot of trust and respect, including from me. We count on the leadership to keep the relationship well. What we never know clearly from GGI is their strategic objectives. If we had real clarity on that, it would certainly help all the franchisees. I guess to any franchisor out there, the franchisor needs to make money. Let's face it, why should they be doing this if they're not making money? They also have an opportunity to make a lot of families' lives much better. You really want franchisors to understand that the strategic decisions they make can affect the lives of a lot of families who have everything on the line in their business in towns like this. They can make those lives a lot happier, or they can make those lives a living hell. What franchisors say and do behind closed doors has a cascading effect, so you want franchisors to really understand their responsibility in that. I know they have a responsibility to make money. I know that; we all do. But, you get these arm's length decisions in bigger companies. People move away, and they say, 'If we turn this dial three to the left, it will make that much more money for the shareholders.' But, what they don't see is if they move that dial three to the left, they will kill off some businesses out here and maybe ruin some lives. The franchisor can make more money and have more fun making lives

better if they want to. Often times, their arms-length decisions, in the name of shareholder value, create only short-term value and long-term anguish.

For Industry - I think, like a lot of people, everybody is sort of looking at this giant healthcare issue, and we are all saying, 'We are kind of a good solution over here.' I said this a few years ago at one of the conventions. This industry needs to stop feeling victimized by that big healthcare thing out there and take ownership. Put a stake in the ground and say, 'We are going to be the solution for America on this.' Then, start working towards that. I know IHRSA has done a lot towards that with the IHRSA Summit in Washington D.C. and Public Policy efforts. The GGFA is involved in that every year, and it has been very good for us. I think, business-wise, and industries kind of go through this by the way; they start out very fragmented with a lot of specialists out there. Like our industry, there were aerobics studios, yoga studios, small health food stores, etc. Then, those started to merge, and they became big health clubs. What happens then is all of those pieces come into one place, and one entity is running them. Then, in order to bring more value to that big player, somebody specializes in something, such as Body Training Systems for group exercise. I think we will start to see some fragmenting again, such as yoga studios, but performing at a much higher level. Or, fitness-only, but performing at a much higher level. So I think we will see it start to fragment out a little bit more with people trying to take on special niches out there.

C.I. - When did you join IHRSA and what value(s) do you get from your membership?

BM - I believe we've been members for 25 years. The convention and trade show is always a big deal for us. We get a ton of value there. I utilize all of the health bulletins they send out. We utilize those as third party references for sales and personal training. We have not used their group purchasing yet, but I guess just because I have not explored it. For me, personally, IHRSA support is a bit of an insurance policy for us that we have to have. To the broader industry, *IHRSA is what the Franchisee Association is to the Gold's Gym world.* We've got to have a collective voice out there. Look at what we are doing here. We have health clubs and programs are evolving and getting better and better. People are looking at healthcare and saying, 'I'm going to put in a Diabetes program.' We are getting better and better in this industry. We can't be ashamed here. We have to have a damn loud voice out there, you know. We're not selling cigarettes for God's sake. We are perfectly positioned here to solve a lot of problems for America.

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