

MARCH 2016

# POWERFUL INSIGHTS

BY INDUSTRY EXPERTS

Active  
management

## BREAKING DOWN BUSINESS STRATEGY

CEO ACTIVE SPORTS CLUBS

**Bill McBride**

>> *Driving Results*

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# POWERFUL INSIGHTS

## BY INDUSTRY EXPERTS

Powerful Insights by Industry Experts is your monthly magazine dedicated to helping you #strengthen your fitness business.

Thanks to The Fitness Business Podcast (the number 1 podcast in the world for fitness business owners and managers) we have sought the best advice, tips and strategies from fitness, marketing and business experts around the world.

We are confident that you're going to benefit from the stories that are shared in this interview, so settle back and enjoy the read!

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# About the Expert

*Bill McBride*

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Bill McBride is a health club industry veteran. He has worked in all aspects of sales, marketing, leadership, management, member experience and operations. He currently serves as the Co-Founder, President & CEO of Active Sports Clubs/Active Wellness. He also is the Founder, President & CEO of BMC3. He has served as the Chairman of the Board of Directors for IHRSA and MACMA (Mid-Atlantic Club Management Association), been a Board Member on ACE's Industry Advisory Panel, Club Business Pro's Advisory Panel, The Wellness Health Education Advisory Board and was a contributing faculty member of Club Success Magazine.

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# Bill, in your recent IHRSA presentation you talk about the threat of substitution. Can you explain exactly what that means for a fitness business?

**Bill McBride:** Yes, the threat of substitutes for things that people can do, other than use our product, to achieve the same goals.

I've done some research on Michael Porter's work - he's a very famous American Business Strategist - and the threat of substitutes to a product can be as dangerous as competition.

And the concept is: What can people do to achieve engagement with physical activity - physical activity results - that don't require them to utilise our services, our product, our Industry?

**And in our space, that seems to be growing exponentially.**

People can do exercises in public spaces. People can exercise at work. People can exercise in hotels; in

hospital environments; where they live; in their communities; at home on devices, streaming video. So there's no lack of accessing fitness, fitness services.

And you can access and do all of those things without going to a commercial fitness centre, or leisure centre, or health club, or gym, or studio.

So, I think that when we look at, throughout the world, trying to get a higher percentage of the population to join health clubs and be active- I think that we tend to focus on those people that already are inclined to be active; that are already inclined to utilise and join our facilities.

In the US market, you're pushing 22, 25 percent of the population. In various markets you're getting close

to those numbers. In some of the emerging markets you're below 10 per cent.

So the opportunities, I think, are more dramatic in trying to impact the next 25 percent of the population that aren't in clubs, versus fighting and trying to just swap from other facilities those that are already involved and inclined.

And we tend to spend a lot of time focused on those competitive factors of, "How can we take clientele from our competitors?" versus how we can grow the pie – **how we can grow the market through having solutions for people that haven't yet felt our Industry offers those solutions.**

So I think there's a tremendous amount of opportunity in re-creation.



**Chantal:** Could you give us some examples of what we could be doing to reach out to that market?

**Bill:** I think a lot of the emergence of the group exercise activities are pulling more people in, because it's more engaging than just lifting heavy things.

There's an aspect of - what Curves did was make it less intimidating; make it more social; make it more

"people like me" in a sense of community.

And I think that emergence of a different mindset, I think there's a lot of other applications where that can make some good sense - where it's not just fitness, and exercise, and working out, but it's more playful, it's more entertaining, it's more engaging, it's more social.

At the end of the day the only thing we offer people is motivation and accountability – helping them form

habits that push them to a level that they couldn't do on their own, in an environment that they enjoy.

As far as just basic fitness activities, it's almost commoditised at this point. So what the offering really needs to be around is:

- *Habit formation*
- *Motivation*
- *Inspiration*
- *Engagement*
- *Social engagement*

.....those types of things; because if you have *those* types of things, you'll get the results, versus focussing on the results which sometimes intimidate people.

**Chantal:** Bill, you talk about motivation and engagement aspects, which I'm sure are highly reliant on the people within your business.

Now, you currently serve as the co-founder, President, CEO of Active Sports Clubs; tell me, what are the characteristics that *you* look for in team members - and, in particular, in Managers of your clubs?

**Bill:** Yes, I mean there's an emergence in our business that is changing.

It used to be that we looked for - and I'm going to answer this question two different ways - we looked for people

that were Sales and Marketing and Promotion oriented. It was a Sales and Marketing business to get more people engaged, and enrolled, and so forth.

And what's shifting now is the way consumers purchase, and the way people want information - is shifting now to more programmatic:

- *How your program is designed*
- *How your program is going to affect the individual*

Those are becoming much more dominant in the type of offerings that people have: Program creation, engagement, versus Sales and Marketing as far as a business type of focus.

There's a really good book out called *UnSelling*, which discusses the new way that people purchase. It's a lot different than it was 10, 15, 20 years ago.

But to your point about what we look for in our Management, in our employees: There are certain things that can be trained, and there are certain things we feel that simply must be part of the package with the individual when they walk through the door. And some of those things are **initiative**. I want somebody that has a history, and it's obvious in their stories of their life and their past, that show initiative; that they can

take the ball and run with it. That they can operate, somewhat, autonomously, with structure and direction.

That they operate, in some ways, like an Owner would operator, with regard to the business.

I also look for things like **adaptability** - I need somebody that can balance multiple things going on, and that can kind of go with the flow and be okay when things go sideways; be okay when things don't go well.

And those types of people tend to be positive thinkers. They tend to be upbeat, sense of luckiness - and when we dive deeper into that realm, I want people that are:

- **Bottom line oriented**
- **Results oriented**
- **Accountable to performance and results, not just to activities**
- **Broad thinkers**

**And honesty and integrity are non-negotiable.**

So those are the things that we really hone in on.

The things like exercise testing, touring, problem solving, conflict resolution - we can train on those areas; but those core things that somebody comes with, when they walk through the door, those are the things we pay the most attention to.



**Chantal:** Can we circle back to something you mentioned earlier?

Bill, you used the word *programmation* - can you tell us a little bit more about how consumers have changed their purchasing behaviour?

**Bill:** Yes, I mean when you talk about the consumers - the consumers of yesteryear would come into the Club with a certain amount of intrigue, a certain amount of curiosity, a certain amount of trepidation.

And there would be a little bit more convincing involved; and a little bit more "selling" - for lack of a better word.

Consumers today have done a lot of research; they're more knowledgeable; they're more in tune with the particulars of fitness, nutrition, weight loss, behavioural change; and they tend to have done their homework in a great deal. So



they're coming in with a much higher level of sophistication about the product. And now it's really more about:

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*What is the program going to be that's going to help me?*

*What are the business terms of the engagement – the membership, the pricing, those types of things?*

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They're coming in much more: Is your product right for me, versus you having to start from a much further back place on the continuum, and sell.

So it's not as much about selling as it is about coaching and supporting an

individual with how your solution fits their particular needs.

So I think that's an evolution that's causing us to be more profession, to be more direct, and to be more specific in the efficacy of how we're going to approach and support people with our programs.

And product knowledge and subject matter, expertise and education, are critical, but it's really about those inherent personality and character traits that are going to make somebody successful. So we still require certifications and degrees in certain positions, but when you're looking at skill set, we look higher at character set, if you will.

**Chantal: Now you've got an extensive range of experience in the Fitness Industry.**

**In particular one of your areas of speciality is Business Strategy. So I'm hoping you can share with us, what is it that you consider to be the top three critical components to a Strategic Plan?**

**Bill:** Just three?

**Chantal:** Just three.

**Bill:** I mean, you know – and some of this is going to sound redundant.

If you narrow it down to three then I've got to broad-stroke it a little bit, but the first is the Vision Mission and Core Objectives of your organisation.

You can't have a Strategy without clarity around:

- *Who you are*
- *What you're trying to accomplish; and*
- *What your strengths are as far as core objectives and your competencies*

So the first would be the overarching Vision Mission, core values, core objectives, core competencies - who you are as an organisation.

The second would be:

- *What do you want to do?*
- *What do you want to accomplish?*
- *What do you want to be famous for?*

And that is – that's actually creating the Strategic Plan: *We would like to be X by Y.*

*We would like to accomplish being the dominant source for fitness information, education, inspiration in our community, by whatever date. And we will know we have done this by having a market penetration of 43 percent, and an attrition rate that's below 30 percent.*

Pick your factors or your metrics, but a specific strategy: What is our strategy going to be?

You cannot be all things to all people, and you can't run four or five strategies. You have to be focused on where your core competency, where your Mission Vision and core values want to take you; and what that looks like.

So that's 2: The Strategic Plan, if you will, or the Strategic Objective, and really isolating that.

And the third would be really spending time with that strategy on what the value proposition and value chain are.

And value proposition is simply the revenue, or price point, that you're going to charge the marketplace for your services; and value chain is the expenses that it's going to cost you to deliver those services.

So with a good strategy there's simplicity; there's clarity; it should land in this conversation with profitability.

So:

- *Who are you?*
- *What are you good at?*
- *What do you want to accomplish?*
- *And how are you going to structure yourself*

*with your pricing and your expense load, to make sure you are profitable in doing those things?*



**Chantal:** Bill, let me ask you this: When we are doing our Strategic Plan for our fitness business, who are the key people the business that should be involved in that planning process?

**Bill:** Every organisation is different based on how it's structured with regard to culture.

Some organisations are very top-down, where the leadership of the organisation is going to call the shots and decide the plan and direction, and they're going to hire people to carry out functions.

That can be effective.

Typically lack of involvement equals lack of commitment.

So I'm a believer that the deeper you go with involvement in the organisation to the Strategic Planning process, the more commitment you'll have towards that plan.

So does that mean go down to frontline employees? Or go down to Department Heads? Or stop at Directors and Managers?

I'm not sure.

I think every organisation is different, but I think once you have the core aspects of an involved, collaborative Strategic Plan with the leadership and stakeholder in an organisation, you should take that out to the rest of the entire company and create conversation, and involvement, and communication around:

- *What that plan means*
- *How we got to that plan*
- *Why we chose this direction*

And really get in there and have people get enrolled in it.

I don't like the term "buy-in" because it sounds like you're trying to get somebody to buy-in to your ideas, versus understand and agree to the principals involved. So the word you're looking for here is "enrolment" – you want people to enrol in this Strategy. You want people to enrol in this direction.

So I think that while you might have to craft the core aspects of it at a

somewhat of a more senior level, you have to have enrolment throughout the entire organisation.

**Chantal:** So, in an example - if we were to take Active Sports Club as an example - is a Strategic Plan or a Strategic Planning session, is that an annual event?

Is it something that you do - how frequently do you do your Strategic Plan?

**Bill:** Sometimes it feels like weekly – but, no, Strategic Planning for an organisation – it used to be viewed that you would create a three to five year Strategic Plan.

That was kind of normal business nomenclature.

Nowadays I think that's so far out that it's more like one to two years; 18 to 24 months for most organisation in a very disruptive environment, which I think we are in now as an Industry.

Ideally you would have somewhat of a three year plan, but you would revisit it regularly. You would probably look into it quarterly to see how you're tracking. You'd probably revisit modifications to it annually.

But it should be something that isn't changing every day as the wind blows, but it also has to evolve based on opportunities and based on your market place, and so forth.

So typically one to three years but re-visited and checked into on a continuous basis, and modified as necessary, at least annually.



**Chantal:** So what do you recommend is the best way for businesses to stay on track when reviewing their Strategic Plans?

**Bill:** I'm a big fan of quarterly business reviews where you really dive into the entire business unit every quarter.

But I'm also a big fan of that quarterly business review being a culmination of a 30, 60, 90 day plan.

So I think you have to have goals and objectives on a 30, 60, 90 day basis, and they obviously roll with new additions and accomplishments. But I think that if you're using a 30, 60, 90 day plan with all your key Department Heads, and then you culminate that plan with a review every quarter - a deep dive quarterly business review where you really look at the business from every way possible:

- *Culturally*
- *People*
- *Production*
- *Profitability*
- *Opportunity*
- *Strength*
- *Weakness*
- *Opportunity*
- *Threat*

You go through the whole thing, and you really look at the business every quarter in a deep dive. I find that to be extremely effective because it's enough time to get some success and some traction, but not so long that you lose your way.

So I believe the Strategy should be backed up by monthly, 60 day, 90 day, and then quarterly, business reviews.

**Chantal:** Bill, thank you so much for sharing your experience and your advice on the Fitness Business Podcast.

**Bill:** It's been a pleasure. I appreciate the opportunity to share some ideas and thoughts, and just have a nice conversation with you.

**Chantal:** As always I like to leave you with my top takeaways from this week's guest:

# Powerful Insights from Bill McBride

1. Your offering needs to be around habit formation, motivation, inspiration, engagement, social engagement – these are the things that will drive results.
2. Spend time working on your strategic plan to understand what your value proposition and value chain is.
3. Once you have the core aspects of a strategic plan, you should take that out to the rest of the company, and create conversation, involvement and communication about what that plan means.
4. For most organizations, strategic planning takes place as a 1-3 year plan, but you need to re-visit regularly – it has to evolve based on opportunities and based on your market place.
5. You need to have goals and objectives on a 30, 60, 90 day period and combine that with a ‘deep-dive’ quarterly review.

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Club Manager, Australia

