



Complete Transcript: [HALO Talks with Sal Pellegrino](#)  
Posted May 13<sup>th</sup>, 2021

Pete Moore:

This is Pete Moore on HALO Talks NYC. I have the pleasure of having a trusted advisor or friend and legend in the halo sector coming in from North Carolina needs no introduction, but we'll give him one, Sal Pellegrino. Welcome to the show.

Sal Pellegrino:

Hey Peter, thank you so much. I am so excited to be here and I appreciate everything that you're doing for our industry at integrity sprayer as well at the halo Academy. So I'm honored to be here. Thank you.

Pete Moore:

Great. So the three people that don't know your background, I've never heard of Sal. Pellegrino why don't we do the necessary preamble on your bio. And then we'll kick off with a a hit list of questions I have here for you.

Sal Pellegrino:

Cool, perfect. Hey, I've been in this industry since 1979 as a club owner. And then in 1984, 85, I started selling commercial fitness equipment. And I think that experience that I had as a club owner really helped me succeed 35 35 plus years as an advisor in the commercial fitness space. I think the best thing that, that, that I've learned over the years is you have to put yourself in the position of the customer and that has served me well. I treat my customers like I I'm a partner of theirs and I care about their interests. So I think that's really, really helped me over time club owner, good advisor. It comes up every day in every situation. And I think that's helped me tremendously over the years, Peter.

Pete Moore:

Gotcha. So over the years, pre pandemic when I would go to a club chain and visited for some advisory purpose, you know, they usually would say, Oh, Sal Pellegrino was here last week. So I felt like kind of Hansel and Gretel following you around. Obviously you're a guy who is as social as they come and also want to be there in person use every excuse to be on the road in a good way. So, you know, talk about your re-entry into go into meeting people in person as a road warrior and you know, what kind of receptivity you received and how excited you are to kind of get back to normal.

Sal Pellegrino:

Yeah, cool. Yeah. You know what? I always you know, believe that you got to be hands-on and you got to see what's happening in the field. You know, you can read about worldwide trends every year that the fitness trends come out, but you also need to, to have boots on the ground and you need to see what the heck the customers are doing, what their competitors are doing and what's happening in the marketplace. And I think that's really, really critical over the last, you know, 12 to 14 months that's that came to a grinding halt. And, and honestly, Pete, I just came back from my first six day road trip from Northern Virginia DC up to New York city. And it felt fantastic to be back with my clients.

Pete Moore:

So what is some of the things that you believe benefited the bricks and mortar as everyone had time to stop and think about their business, whether that's from a staffing standpoint potentially some of the operational changes that are made such as, you know, do I need to give somebody a key card anymore and actually physically hand it to someone at the front desk versus using mobile and technology? Maybe the understanding of clubs to say, Hey I actually am the authority in my area. I should also be the authority on some component of digital or some component of connectivity with my members, whether it's fitness, nutrition, mental health what are some of your key takeaways that you feel have benefited us as we've come out of the a pandemic year?

Sal Pellegrino:

Well, you know, I think that the first thing that happened when the pandemic first started, I think everyone adapted to technology amazingly quickly you know, that at a base station to virtual, to communicating with their members in a better way to, you know, all of a sudden becoming a zoom specialist, right? I mean, that's what I did. I must have, I must have done six or seven webinars every week and member owners were on those as well. And, and that kind of led me to, to my little weekly summaries that I did peep. So I think that adaptation of technology is the first thing. I think the second thing is I think people have a much better understanding of the customer. All right, because that now they're not only competing with the club down the street, they're competing with home fitness, they're competing with people buying equipment back in their homes.

Sal Pellegrino:

They're competing with the Peloton, the echelon, the mirrors. So, you know, you really gotta be smart in terms of how to, how to really tackle that, that information with your customer. But I think the deep knowledge of the customer and that communication and being transparent, those are the things and let me back up transparent, not only for the members, but also for the staff. I mean, those are some things that I, that I, that I saw. And the, the other thing that I noticed when I went back on the road, is it, the people were working harder than I've ever worked before. The, the owners that have survived this, it almost brought me back to 1990s when our industry was really on that heavy growth curve through that nineties, when the owners and managers, they did everything. And that's what I saw that my customers doing again, I mean, they're cleaning, they're doing this, they're moving stuff outdoors for outdoor fitness. I thought that was really, really interesting. And and then really looking at what programs are profitable or not. I think we did things and even though they lost money. So I think that evaluating, you know, profit centers make sure that there's a return on investment. I had a number of discussions about that, which I thought was pretty, pretty interesting,

Pete Moore:

Just sticking on the equipment side and the group exercise programming, since you're on the front lines here and almost like the advanced team, if you will what are you seeing as some of the trends that are going to emerge over the next six to 12 months inside the clubs?

Sal Pellegrino:

Okay, cool. So inside I'll give an example. I have nine projects that I'm working on right now, where I'm doing floor plans for them doing 2d. And then we go to 3d and we do walkthroughs for them. Every one of those except for one has an outdoor fitness component. So I thought that, you know, the States that shut down, I California just comes to mind immediately where there were shutdown indoors. So I had to morphine go outside. So that has become very interesting to me. The high intensity training, you can't do big groups. So this focus on small group training and adapting to that in the group, exercise space, people doing, you know, six to eight people in the typical group X class that would have 30 to 40 people. So I saw that virtual training and that Omni channel you know, offering to supplement brick and mortar, Hey, that's the everyone adjusted.

Sal Pellegrino:

And they did it, whether they did it good or not, they did it in the short term. And now they're looking at it saying, I gotta find a better platform because I know this is here to stay and this people that are making money on it now, too. So it's an additional revenue stream. You know, the other thing Pete that I saw is, you know, personal training really took a hit. Everyone that I met with everyone seems to be that 20 to 40% of where they were pre pandemic. And then the other side of it is the instructors are not coming back. They're gone. So they've either done they've transitioned or pivoted and done their own things virtually and getting them back is tough. And I don't know if it's the stimulus issue where people are making more money not working. But I ha I had a number of discussions with owners about that, but I think those are the top things that I've that I've noticed. You know now that we're starting to resurface or reopen.

Pete Moore:

Yeah. Do you feel that that that's great Intel, do you feel that clubs have gotten any more confidence in increasing the price of the services they provide or do you feel like we've kind of stepped back into zero down and this is what the monthly was before, regardless of the fact that my costs have increased I'm not comfortable taking that price increase risk.

Sal Pellegrino:

That's a great question, Pete and good observation, and, you know, I gotta be honest. Most of the customers that I've talked with, they're raising their price, anything from \$3 a month to \$5 a month. And I had one that was at night, what was it? They were at \$91. They've morphed up to over a hundred now, monthly dues in a major city in the Northeast. I was so happy to hear that I was so proud of them and the number of my, my franchise groups Gold's and worlds and JCCs the golden worlds that they're, they're not afraid to raise their prices because of that. Hey, you know, one guy said it best. He goes, I'm at 50% of where I was at my peak. And now opening, I have cleaning expenses. I've invested all this money and these air filtration systems and you know, I need, I need to, I can't be afraid to, to, to increase the value of my offering and, and raise my prices. So I'm really happy to hear that because that race to the bottom does it doesn't serve anyone well at all.

Pete Moore:

Yeah. Especially if you're delivering incremental services a back in the day had groups say, Oh, I'm going to go deploy the planet fitness model. Well, if you get a plug, deploy their pricing model, you better also deploy their cost model or else you're not going to make any money. You better make sure you've got a lot of parking spots. You know, one of the things that I believe is going to happen over the next couple of years as you get your Amazon or your, your news feeds, or what have you people aren't going to be traveling internationally as much just given the COVID outbreaks around the world. So I do feel like there is going to be this staycation, if you will, that's going to at least be a couple of years worth. And I believe that the bigger box clubs and the YMCAs and the JCCs are going to benefit from people saying, Hey, look, we're not going on this ski trip, or we're not going on this Safari or, you know, torn around Southeast Asia for next couple of years.

Pete Moore:

And I feel like they're going to default back to the, the clubs and a place that's safe and convenient. What are your thoughts on some of the big boxes that you work with and YMCAs and the JCCs, you know, trying to market themselves to families as that real third place versus you know, looking at themselves just as I'm a community center, whatever you want to do here, you could do here, but maybe be a little more proactive about this is why you should come here. This is what I can serve for your family and have the use of the square footage to actually be an asset instead of liability.

Sal Pellegrino:

Oh yeah, no, I think that's awesome. I think what comes to mind, Pete is facilities now have to change the narrative. We're not a health club anymore. It's not about, you know, butts and abs and chest and back, you know, it's about wellness. It's about mental health. It's about all these things. So the clubs have to have to morph into that, be that wellness hub in their community. I really loved that term. And the other thing is I think that I, that comment that you just mentioned about, you know, members you know, being that staycation, I think people are starved for, for socialization and miss their friends. That was the best part of my, you know, my road trip last week was, it was just good to see my fitness friends and, you know, w we talked, we had vaccines, I had both of my vaccines and they did too.

Sal Pellegrino:

I, it was, I couldn't help, but shake hands and hug. I haven't done it in 14 months, you know, so it felt really great, but I think that that, that wellness hub concept and being that, that that's, you know, fill that socialization you know, the JCCs have done it very, very well. You know, that's one of my, one of my accounts that I handle, you know, I do national accounts are for pre-core. So I only have seven customers that I deal with seven large groups. And so again, watching how each of these segments or categories have adapted to this has been very, very interesting. Everyone has raised their prices. Everyone has adjusted pivoted to a technology adherence. Everyone is looking at things that are profitable and things that are not profitable. You know, they're putting those aside and not going to do that.

Sal Pellegrino:

So I think, I think that, you know, clubs be in that role more than just, Hey, you know, work out there two or three days a week, or catch a good exercise class. I think it's going to be more of that fabric because it's trusted, it's controlled. It's not like going to Lowe's or home Depot, right. You've got a safe environment. It's a member organization, you have a contact tracing and play. You got amazing

cleanliness standards. So I mean, I feel, I felt perfectly safe in every club and I had a chance to work out in three different intervals too. And it, our industry has done a really good job at responding.

Pete Moore:

Yeah. Without going too deep into the, the Peloton pre-core you know, transaction, I feel like that was the tipping point for clubs to basically say, Hey, instead of me thinking that anything digital or anything that's in somebody's house is a competitive, it's actually collaborative. And if I could get someone to reach their results, as long as they continue to stay a member, I benefit because they talk about the physical and the mental change that they have. And if I could give someone a blueprint or a prescription that says, Hey, you got a Peloton bike. That's awesome. Actually, I want you to have a Peloton bike, and I want you to do two or three classes on Peloton a week. I want you to take these two or three group exercise classes, and I want you to take this one meditation class. I want you to come into the workout recovery room. So as you start started going around and talking to people in person, do they view the pre-core Peloton relationship? Did they fully understand how good it could be for them?

Sal Pellegrino:

No, I, I think it's, it's a, it's a little mix, first of all. I was so stunned at the news back in when I heard it. And I was so excited for it. I, I was like, Holy mackerel, boy, that's, that's the biggest thing to happen in commercial equipment industry in a long time. And, and I do believe that you know, the, the cultures of the two companies, w w we'll we'll match and blend very, very well. But as for the customer, you know, I, I have one, two, three, four, five goals, gyms, and world gyms that have the Peloton bikes in their facilities. Okay. They bought them themselves, had nothing to do. And this is going back in the last, you know, two years ago, they had a year and a half ago. And again, it was member-driven members wanted to have that opportunity.

Sal Pellegrino:

And so I think that's interesting you know, I, I was at a club in New York that seven of them. Okay. And they, and the members just use their own account to get in, and they do it when they want, you know, where they want it. So, you know, I mean, you gotta, you know, listen to the customers and help them. So I think it's here to stay, you know, we've all seen Peloton in hotels, right. I mean, I mean, I don't know how many brands have put it in over time. You know, I handle the Omni hotel account, which is great, and they put two in every facility. So guess what, it's happening? It's happening in a lot of different categories, not just health clubs, but I do believe that, you know, the, the attitude of saying, Oh my God, you know, this, you know, whether you use a Peloton and echelon or mirror, I'm going to lose a member.

Sal Pellegrino:

That's not the case. It is not the case. I mean, I, I worked for StairMaster for 14 years. We sold tons of product in the, in the home. And that was just that supplement. So maybe they won't go to the health club to do their cardio. Maybe they'll do that one day a week, but they'll do strength. They'll do that yoga class. They'll do you know that stretching a situation or have a one-on-one appointment. So I think it's, it's here to stay and they just got to make the jump and accept it. Technology's not going away. Connected fitness is not going away. It's going to enhance that experience for the member. My, my personal opinion.

Pete Moore:

Yeah. One of the key takeaways that I have from the pandemic and I have zero data to back this up. It just, just intuition, I think, with all of the people working out from home and actually taking some of these group exercise classes through zoom, took away a lot of the intimidation of, wow. I could actually do this class and somebody physically going into a health club. And then you saying, Hey, why don't you go try this body pump class? Like, okay, not, not yet. Like, I'm not, I'm not good with that yet. Or I'm not going to do a Les mills class. I'm, you know, I don't know if I can make it through the class. So I feel like there may be an additional amount of the population that will walk into a health club over the next several months that are completely new to the bricks and mortar, because they've said, you know what, I've done this, it's not intimidating.

Pete Moore:

It's kind of like, you know, test driving a car, right. Or like doing like a you know, a 30 day free trial on whatever it is online. So are you seeing data to support that or sent them in to support that or any of your clients is like a, this is like a, this is kind of like a run-on sentence out. So just stay with me. Take notes. Point is, have you had, do you have any evidence to say, Hey, wow, these people are saying that they're signing up new members that have never been part of a health club.

Sal Pellegrino:

Yeah. You know, it's funny. One thing that was resounding a message that that was my takeaway from last week is everyone's new member sales have been extraordinarily good and a tremendous amount of what I referred to. I heard it on a webinar last year, orphaned members, they were members of a health club that club shut down. They need a new spot, or they've never been a member in that community. And I, and I think you're spot on with your observation about people trying you know things you know, virtual exercise experience. And after doing it for a few months you know, you want, wanna, like anything you want to advance. It's just like, when you start a running or walking routine, you do a mile, then you do a mile and a quarter, half a mile, you know, and I think having that experience at home will make it less intimidating to go to that commercial facility. And I think, you know, I remember the first time I took a group exercise class was a long time ago, but you know, a guy going into a group exercise class back then that was like, Holy mackerel. But I, so I think that that exposure prior to going there will lessen that intimidation factor. So I've not heard of any statistics about it, but that's a great observation. And I will keep my my eye on that one. That's, that's a really real, it's a really valid point you make.

Pete Moore:

I think I took, I took one group. This is probably 20 years ago. I took one group exercise class 45 minutes in a Gold's gym. I think I was in Delaware for some reason. And then I left the class I was spent, and then all the women went to the, to the water fountain and went into the class right after that. And I was like, Oh, wow. This is like the real deal. These people are committed in much better shape than I was.

Sal Pellegrino:

I remember, I remember my first body pump class, there was a gal next to me. Right. And she was, she was older than I was. And she kicked my butt with, she had more weights than I was doing. And I just was spent with mult. I didn't do, you know, 50 repetitions. And she, it was great. That was a good experience. Good humbling experience. But yeah,

Pete Moore:

No doubt. So, you know, as you look at the future of the industry and you see the technology changing quickly, you see a lot of the data analytics, some of the lead generation tools, how important do you think it is or beneficial to be part of a large franchise or, and have a franchise or franchisee relationship versus some of the clubs that you've worked with that you'll have great physical facilities, but they just don't have enough resources, not their fault. It's just reality.

Sal Pellegrino:

Yeah. No, I think that's an interesting observation, Pete, you know, this is a tough economy. It's a tough business. I mean, we've all, Hey, I learned a lot from the halo Academy. I finally know what a real estate investment trust is. And it's so many of my customers that couldn't, that the landlords, you know, didn't negotiate with the most because of that situation. So I think that, you know what, it's tough out there. Why do it alone? Okay. So your, your, your statement about being part of a, of a franchise group or another club organization, I'm seeing people, you know, close up shop because they've you know, they own the building and they've decided enough's enough. I've been doing it for 30 years. I'm going to cash in my real estate. Great. And then there's guys that have survived and I want to go, but boy, where do I start?

Sal Pellegrino:

And I just think that's, that's a great observation and, and let's be realistic. The, the adjustments and the excitement of what's happening now in the business, I'm more bullish on the industry than I think I've, I was because anyone has survived this, you know, they're here to stay. Okay. And then all the things that have happened in terms of adaptation, to technology, adjustment, all these support of businesses that are out there from lead generation to technology, you know, the other thing that I heard over 20, most of the people that I talked to 20 to 25% of their memberships were done online, it used to be four to 6%. So again, that's a, that's a pandemic issue. So I, I think that's that, that makes sense. And it's worth investigating really.

Pete Moore:

Yeah. I think some of the some of the clubs that I've spoken to in the past about, you know, do I really want to go and become a franchisee of a, a planet, a crunch, a gold state, they come back and they say, Oh, I've got to pay five or 6% of my revenue. Right. That's like the first, you know, traditional economic response. And then you say, okay, well, how much revenue do you have? You got \$2 million of revenue in this location. So you're going to pay 5%. You're going to be a hundred grand. You basically renting a \$10 million corporate overhead from a franchise oil. I mean, think about it that way. And then you're basically renting a CFO, a CTO as CMO somebody who's like tinkering with the digital that you don't have to, you can't buy, you can't have these people on staff, especially in the environment of getting the talent of that level to make change, let somebody else pay, you know, for the CMO and beyond the upswing of Dana data analytics and, and so on and so forth. So I hope there's a push towards that. And I'm sure from your standpoint the more consistency you can have in the more growth and the unit economics work, then people are going to build more locations and private equity gets involved so on and so forth. I'm not sure if that's a question, but feel free to comment or answer.

Sal Pellegrino:

Yeah, no, I, I mean, I think you know, if I look at the JCC association being part of that during this whole pandemic, if you were a standalone JCC and you didn't have that support, I mean, you were in trouble. Okay. And, you know, look at Gold's and we all remember Adam Zeitsiff, you know, he was, he was

really out in front of this thing early on the CEO of Gold's gym. He did a lot of great things. You know Steven Alfano from a retro fitness, he's done very, very well in terms of, of picking things up. So I think that it's really important to, to, to at least consider being part of something bigger and have that support. You know, when I think of the Gold's gym, the Gold's gym franchise association they've all helped each other. They're on webinars call support. So again, it's it makes a lot of sense and I like the way you framed it, you're renting a CMO, a CIO and all that. And certainly certainly worth the consideration and the investment that's for sure.

Pete Moore:

Yeah. So in closing here, you want to talk about you know, if you had a crystal ball here a year from now, where, where where's the industry, where are your clients you know, w w where do they going to be thinking about, do you think maybe there'll be more of a convergence with insurance companies saying, Hey, I'll pay your full health. Called membership is way cheaper than me getting you into the hospital. And, you know, having one visit, you know, is five times what I'm going to pay for your health club membership. Obviously COVID has been a resounding counter to obesity, diabetes, and loneliness. We got to solve those three things before anything changes on the health care, you know, spending barometer.

Sal Pellegrino:

Yeah, no, I agree. I mean, I think that the, because of COVID couple of things happen, safety trust, cleanliness. Those are the three things that, that I think every member is going to have that top of mind, people have to have that deep knowledge of the customer that, that communication, that transparency. And I think they got to change a narrative from a hard body to wellness, and I think the vocabulary has to change. And, and, you know, we, we have a number of facilities that have gone down this path. I mean, I have a hospital wellness group in New Jersey that had been, they've been down this road for a long time where they do exercise prescription as, as a workout, you know, the doctors in their, in their organization are prescribing exercise and then having you know dieticians that are on staff.

Sal Pellegrino:

So I think all of these things make a tremendous amount of sense on bullish on the industry. If you survive this, you're going to do good things. And I think people are starved for socialization that wellness hub people want to get back. And I think you just have to change, adjust and focus on the trends that are going on now, online training, wearable, you know, body, weight, training, outdoor fitness, all these things you know, as long as you incorporate those things, adapt to the change and offer an amazing experience, a safe experience. I think you're going to do very well. So now I I'm sensing will, you know, the second half of this year is very busy. My, if my pipeline is good, that's, that's a good kind of precursor of what's happening. People are spending money, people are reinvesting. The other thing we didn't talk about is, is the real estate deals that are out there right now. I mean, I have people getting six months free rent, six months, half rent, 600,000 in tenant improvement dollars. I mean, we never heard of these things, right. But so I think with, with all the, with all the turmoil, there is going to be some great opportunity for those who are who are a little gutsy to do that, you know,

Pete Moore:

Well, we had the pleasure of having you and and Sarah on our, our two halo Academy events. So thanks again for, for joining and spreading the gospel there. We want to try and make sure we educate as many people as possible. And that turns into a higher probability. Nice. I like the halo pledge there gallon took

a screenshot of that force. But just educating people on the, the metrics on the trends so on and so forth is really gonna increase the probability that people get financing. And if they have the the guts and the decision-making, you know, parameters, if you will, to add more locations and affect more people. So in closing here, you've got a, a, any good quotes that you live by, or anything you wanna share with us as a partying Salafism of wisdom before your next Sunday, a YouTube video.

Sal Pellegrino:

Oh, you're funny. But here, you know, these are two things that came out of the last 12 months for me. The sharing of our collective wisdom owners were willing to help other owners in the past. They were always afraid to share their secret sauce. So I think that was the first thing that, that my big takeaway, and then another one, I like this be lean, be clean and be seen don't hide in the office if your leadership, or if you're an owner, if you're a decision-maker in a commercial facility, don't be heightened. You gotta be with your customers. Your staff has to see you and you gotta be very visible and you gotta be very hands-on and you gotta really focus on that, that incredible experience for the member. And I have to be, I think I'm working harder now than I've ever done. And, and it's, again, I, I know that that the the situation that my clients are in, I don't want, I want to do everything I can to help them improve their situation and their survivability.

Pete Moore:

That's awesome. That's great. Well, we appreciate everything you've done for the industry. We cherish our friendship with you as well. And as, as a plug to any health club operators, fitness studio, opera is a franchise, or is out there if you'd like to see someone who's lean and mean and wants to be seen, have Sal come to your club, I'm sure he's available to get on his road warrior

Sal Pellegrino:

World tour. Thank you, Peter. I'm pretty sure you and they thank you, sir. Thanks. Have

Pete Moore:

A good week. Yep. Care. I want to thank my friends at Burn BRRN in sponsoring this podcast, the innovative company behind the world, renowned burn board. Many of you don't know. I was one of the top roller hockey players in all of Nassau County. Back in 1988 to 1990. If I had a burn board watch out, I would probably be an N a H L legend got a seven day free trial on their on demand library of hundreds of workouts, \$30 off the purchase. Check it out@shop.is a burn.com. We'll have it in the show notes, use the checkout code halo and go burn it on the burn board, ice hockey in your living room at home sickness, low cost, low tech, low impact go halo, burn it up.