



**Complete Transcript: HALO Talks with Kevin McHugh  
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Pete Moore:

This is Pete Moore on HALO Talks NYC. I have the pleasure of welcoming Kevin McHugh with one of the cleanest resumes in the entire health club industry. 28 years at the Atlantic club head of operations, CBI cover story September, 2019. Kevin. Good to see you again and welcome to halo

Kevin McHugh:

Talks. Thanks for you.

Pete Moore:

So you and I met a couple of years ago in person toward your campus and you know, quite a span of, of services. And why don't you give your personal background, talk a little bit about the Atlantic club and then we'll get a jump into all the changes you've made to make it even bigger and better post pandemic.

Kevin McHugh:

Sure. Well, I've been at the Atlanta club for 28 years. I'm going on my 29th year. I am the COO and the Atlantic club is a multipurpose facility. Pat laws, the owner has always focused on being more than just a health club. So we're very strong. 33% of our business has helped 67% of our businesses ancillary income. So we have a spa of one of the largest day spas in the country. We've got one of the biggest tennis programs in the country. We have a school and pretty much we in those areas, we've always focused on being best of breed. So as we're looked at in a health and fitness industry, it's the same way we looked into tennis industry and in the spa industry. So we've been very fortunate with a lot of tenure with our, with our with our managers. I've been there 28 and a half years, but most of our managers are over 20 years. So it's been, it's been a nice ride.

Pete Moore:

That's great. You know, from a standpoint of looking at all the different programming that you have and the different buildings that you have, how did you prioritize overseeing the operations? Obviously you've got people there for a long time, so, you know, there's a lot of trust and there's, you know, you got, you got a team concept going on there. So when the pandemic hit, how did you prioritize, Hey, this is what we could do. This is what we can't do. And taking a fresh look at all the square footage that you have there.

Kevin McHugh:

Yeah. well, if you were a couple of years ago, Peter, when you were here we were a 44 acre campus with a small fitness footprint really undersized. And when I'm a kid on March 16th, we actually laid off, we had 720 employees and we laid off every employee except by, and those, those individuals stayed laid off for at least till June, because we opened up tennis and gym. We help up the sponge line. But a lot of the work that we had to do, we had to do with four people. And it gave us an opportunity to relook everything. But as you know starting in around April, we started getting involved with a lot of groups in Ursa and groups outside of hers. And just listening to what other clubs were doing, gave us the opportunity in New Jersey to really take a hard line on what do we need to be in the future?

Kevin McHugh:

Because pretty much we knew that we're gonna lose pretty much everything with trying to staff, the way we paid our staff out. We took a lot re re we paid people up front because we didn't know when it was going to end, but we looked at it and we social distancing. We knew it was going to be important. We knew that cleanliness was going to be important and we had space and all over the course of time, we can look at every single line item that we had and we decided instead we were going to get rid of, but we had a 22,000 square foot built house that really was being underserved. And so we looked at our fitness room, which was very tight, very crowded. And we had just purchased back in October of that year, all new freeway equipment, we then decided let's take all that freeway equipment unless make ourselves have when the largest freeway centers in the country.

Kevin McHugh:

So we took the field's house and it was under performing. And we transitioned that into probably one of the best free rate areas and functional training areas in the industry. We've always had it pre COVID, but after COVID, we now have. And so, and it's not something that we're going to reverse. We also didn't have a major virtual platform and we were able today to have one of the best comprehensive, integrated virtual platforms in the industry. And part of that was because we opened up late. So we had a lot of time to do things and really, and a lot we learned from a lot of other people's mistakes. What did you

Pete Moore:

Use on the digital side? Who do you partner with there?

Kevin McHugh:

We actually partner with Les mills and also with smart health clubs with the witch, which is the app. So now our members can see, can come to the club, take a reserved class virtually with all new sound systems on your screens, retrieve that during COVID. And if they don't want to come to the club, they can take that same exact last virtually at their home. We also add 15 classes every month that are our own instructors, so that that library continues to build. So we did that. We also I took our spinning studio, which had 35 bikes in about 800 square feet. And we took half of the gymnasium and we have two courts and a gymnasium, and we made a spin studio that could socially distance 35 bikes during that period of time where we would only have been able to have eight people in a spin class. We took that work that, that spin studio, and then a virtual spin studio. So throughout the day, now people can take virtual spinning classes with reservations, with nine people to a room. So we purposed it that way. So a lot of space, a lot of virtual, a lot of live. And then we also got shipping containers and, you know, this new it's telling us about that, add on yeah,

Pete Moore:

The Reebok CrossFit ad, where they were dropping shipping containers in like Eastern Africa or something. So to get CrossFit gear out. And I thought they took it down because the CrossFit Reebok relationship, but I, it sounds like you've replicated that. Perfect.

Kevin McHugh:

Yeah. And so we have a shipping container outside the via second shipping container coming soon. And we, we moved all a hundred percent of our group exercise classes outside. So we didn't do any on our 44 agro campuses. We didn't do any outside classes pre COVID. We will move some of that back inside because as it today, masks are off social distance is over in New Jersey. So today is like independent state worse. That's awesome.

Pete Moore:

So from a standpoint of the changes that you've made as, as perverse as this might sound are you thankful that you had the opportunity to stop and say, how should I repurpose this? Because during regular operations, it's kind of hard to pivot and make these types of changes. And I feel like the industry at large is better off coming out because we're, we had the chance to think, and a lot of people just have the chance to do, and they, they don't stop and think cause cause your, your field house I think you're doing presie in there, right. You know, which is great program, but you know, on a, on a revenue per square foot or, or usage by the broader population of members and also the Atlantic club, I think having the ability to say, Hey, look, I can, I can provide you the same experience as a lifetime fitness basically now. You know, definitely gives you the ability to punch above your weight of what it looked like before. So is that pretty accurate?

Kevin McHugh:

Yeah. And we, we're fortunate when you go through a pandemic and I hope we never do that again, you really have to be open to change. And pat was, we had, the army was really open to change. We changed our membership. We changed, I mean, pretty much everything has changed. We are a completely different company and I, I believe that through the pandemic we also learned a lot about our government. We learned a lot about our mayors. We learned a lot about advocacy and the important role that we all play. And we also learned that our competition can be friends. We, we, they don't have to be enemies and we've, we've worked very closely. They've worked closely with us to try to push the industry forward. And I think that would never, ever have happened without COVID. Yeah.

Pete Moore:

That's a great point. You know, did the interesting part about the larger box clubs in the full amenity campus? I feel like there's going to be a stronger demand because people aren't going to be as apt over the next 12 to 24 months to pick up the family. And, you know, let's go to some exotic country and not really know what the potential safety or COVID risks are there. So I feel as if the Atlantic club, as an example, really has the ability to become that real third place that is safe. You can drop your kids off there. You can spend the day, and it's almost like the ultimate staycation. Are you starting to see some breadcrumbs of that yet?

Kevin McHugh:

Well, I can tell you about our, our, we changed our whole membership for people that cause we're in a beach area down here. And so people come down to the summer. We changed our pool membership

for the summertime when we changed our membership levels. And that's very, very strong right now. I mean, I think that'll, that'll pull in. I remember Peter, our campus has a lot of other programs going on for youth. So they may be coming here for tennis and they may be coming here for school. I mean, we have a lot of different things going on for kids on this campus, but I think one of the things that's going to come out of this is art programs. When you take a look at, if you want to spin, we have a phenomenal spin program, sort of big boxes.

Kevin McHugh:

I'll use Greenwood athletics, I'll use stone Creek, or you can go wherever you want to choose. We have as good as spinning program as a spin studio. When I take a look at our mind body, we have as many mind body classes as studios and our instructors are as good as them. Why do you need to go outside of our, our model? We can give it to you, you know, in, in club, we can give it to you virtually. We can, we can also know we do get great mind body. Not only do you get a great spin and other high intensity classes, but you get the locker rooms, you get the, you get all the amenities that you get, the sociability, you get so much more. So I really think it's an opportunity for the big boxes to really make a statement about why they belong in the community and, and not be getting ankle bitten by the studios. I mean, it's time for us to really stand up and tell people why we are their best solution.

Pete Moore:

Yeah. I started using this phrase several years ago that every studio that opens up around a club turns into somewhat of a manual weapon of mass destruction. So it's a couple of hundred members here. It's a couple hundred members there, it's a top spin instructor that decides they want to go out on their own. But if you really look at the price to value of a big box, you're never going to get the safety, the parking, the showers, the cafe, potentially trying new programming. So I do think there's going to be a swing back. And I, I believe that the big boxes are going to benefit from instructors that might be might've left the studio, their studio didn't reopen, and now they're basically gonna bring their, their base and say, okay, what's the best to use it. Analogy, you know, what's the best stadium for me to be in.

Pete Moore:

We did a class last night on soul cycle. And, you know, the question came up, you know, is a SoulCycle studio, a membership base, or is it really kind of like Madison square mini Madison square garden? And the artist is basically owns the members. So I think there's a really interesting dynamic and title wave shift. That's going to go back to the clubs because it's actually empowering what the instructors who have this digital following might say, Hey, look, let's actually get back into the studio because there's nothing that can replicate. At least from my standpoint the live experience, you know, you do the digital, if you have to and you get, you don't have time. But you guys, I get the best results. I'm sure you do too, but you know, physically being in a club.

Kevin McHugh:

No, I, I agree with you. The one thing also came out through the pandemic and I, I would say because of how much we were involved with the other big box clubs and medium box clubs during a pandemic through webinars, weekly meetings, whatever. I think our big box owners showed their professionalism awesome to their members. I think they really got to stand out and say, we care about you. We're going to keep our staff safe. We're going to keep you safe. We're going to invest in whatever it takes to do that. Whether it was Lexi, whether it was cleaning solutions, whether it's extra housekeeping, I think

they got to see a whole different side of us in more of a, we're not just about the money we care about you and we're going to keep you safe. And as an industry, we did a phenomenal job.

Pete Moore:

Yeah. Agreed. I mean, the data from our friend Blair, you know, really showed that the, you know, the safety and the protocols have all been in place pretty much across the board. One of the things that I wanted to ask you and maybe would be helpful to other big box operators and Dave Gannon. And I have talked to a lot of groups and you have so much going on at the Atlantic club. How do you deliver the marketing message where it's not a paragraph long or a laundry list of here's everything you could do? We were on a podcast and I referenced this a lot where one guy said to us, you know, don't try and get me in and tell me how much weight I'm going to lose, because I've tried that before and I never lose weight. So make it fun, make it entertaining. Give me all the options. So how do you present the Atlantic club to a new prospect or are you at a level now? Where, and I remember we talked about this when we were on our tour where you really have segmented, I've got my tennis following, I've got my strength and conditioning. I've got my boutique, I've got my, my kids. So how do you, how do you think about marketing at large and how do you think about micro marketing? If that's a term I just made

Kevin McHugh:

Up? Well, first of all, I, I, I do believe that we have to simplify the mission, but not, not discuss and we're working on it and we're working with some other clubs on this. And one of the things that any, we had a seminar that we all attended on no sweat. And it was about getting the right messaging going. And, and, and we, we came, we've been working on us for a month now, but we came out that the most important thing is people want weight loss, but that that's a misunderstood word and they don't want to wait to get the weight loss. So our, our, our philosophy and we're working on it right now is how can I make you feel better today? You know? And, and, and on that, we can have landing pages and find out, do they want to feel better today because of membership and then let them flow that way?

Kevin McHugh:

Or do they want to feel better today? Because they want to take a program. They don't want membership, but not to have a separate ad for programs, not to have a separate app for memberships, but it's all about how do I make you feel better today? You don't have to wait for it. I can get you to feel better today. If you join a club and get you started, I can make you feel better today. If we get you into a diabetes program, or if I can get you into a, a woman's program that wants to do those 15 to 20 pounds that isn't obese. That just wants to just wants to get through this stet stage in their life, where or a jumpstart program for a person says, I don't want belong to a health club. Give me two months of trying something out.

Kevin McHugh:

So our goal is to get this one, one statement and not show all of our equipment, not show all of our classes. They'll learn that when they, when they follow up with us, we'll tell them all about that. But our ed is really, our focus is really going to be about the Atlantic leptin, make you feel better today, or the edge or wherever the clubs that we're working with are, but we believe that is the first, that's the first step, and then have them come down through a landing page. And then we'll direct that to the medical team, the medical fitness group, or we'll go into the membership group. So I think that big boxes have a lot to offer. Sometimes we confuse it by trying to be too medical or being too commercial. Yeah.

Pete Moore:

Agreed. So I was going to ask you about, you know, medical fitness. And I started this industry in 1999, and I think I've been talking about medical fitness converging with, with health club operators, such as yourselves. And I've been pounding my head against the wall, trying to figure out why it hasn't happened. I feel like all the incentives are there from a member standpoint, but structurally from an, from an industry standpoint in health insurance premiums they might not be as aligned as we are with, with getting people results. And obviously the pharmaceutical groups are out there trying to get someone on a, instead of a monthly recurring health called membership. They want to get them on a monthly recurring, you know, pill pusher. So, you know, how have you digested the fact that maybe I can't move the, the, the industry and the Titans, but I can do what you want to do inside of the club, which I've seen, you know, portions of it as you were getting going, and some of the build-out that you were doing there, how is that working? Do you feel like COVID is actually got people's attention or do you think it's gonna be, we'll do it, and then, you know, we'll help you get the premiums down and, you know, if you, whether you partner with us or not like we're doing it.

Kevin McHugh:

Yeah. I, I think that the medical fitness component we've, we've been part of the MFA I've been involved with the NFL on the board at the end of may. That's part of it. And then we're on, we've worked with Genovics, which is another group that is in preventative care. So I think preventative care and medical fitness, probably the same word. I think, you know, our goal is to prevent people from going to the next level of the disease. And we're working with a hospital group right now, the largest in New Jersey and our medical fitness team is working on pass on programs. So a person has a stroke. The hospital can taken off to a certain point, but when I'm working with the hospital figuring out what do you want us to do act a year finished, and you can't do anything else. We're not going to try to take any businesses away from you, but the stroke victim, what do they need, and what would it take for you to then pass that program on, in closed a pass off, broke a breasted referral program.

Kevin McHugh:

And we're working with that with diabetes. We're working with that with cancer. So we have four different disciplines. We're working with the hospital Groupon for pass on programs, but for the traditional person, that's not in the hospital, we have the opportunity to medical bills. So we can bill blue, cross blue shield, Aetna, Cigna, QualCare United. And we do that with with our programs, when our programs, we believe one thing, exercise is a medicine. Okay? So that we don't believe that we believe exercise and nutrition is medicine, and we don't believe nutrition by itself. So when you put the two together, that's when you get results, because we've, we all know people who've exercise forever and not gotten results. And they also know that people that do nutritional things get resolved short time, and then they lose. So when you can marry the two, so I progress where there's a diabetes program, whether it's a stroke program, whether it's a part of this program, we always throw in nutrition and exercise.

Kevin McHugh:

And when we do that, we're able to get insurance reimbursement with, you know, with the the major places. And we can get great results. I, I was in a program for 13 weeks and I personally lost about 20,000. My A1C scores went down. And I think the key thing is that medical fitness programs around outcomes, but they're also about numbers. And what we have to do as an industry is we have to make sure that commercially or medical fitness, that our members know their numbers. And when you know

your numbers, everybody's competitive. I don't care if they stand there. And if they see one number and they see that they can get a better, then they'll do something about it. Yeah.

Pete Moore:

You know, to, to harken back to 2000, I, I lose a co-founder of a software company is fitness nutrition programs online. And I couldn't figure out why we couldn't get people to fill out the meal plans. And one of my partners love the guy, great guy, but he's like, it's because we don't have enough recipes up there. I'm like, oh, we have like 4,000 meals that you can choose from. You know? And people eat kind of like the same 20 or 30 meals on average a week. They just have to choose the right ones. And typically at the right time, you can't start eating dinner, know 9 30, 10 o'clock at night, and think that that's good for you. So what do you think the silver bullet is? Or, you know, how do we, how does the Atlantic Colombia and Latin club become the authority, not just on fitness, sports training community, but really you are the, the, the authority on nutrition as well without creating a full fledge, you know, nutrition division.

Kevin McHugh:

Yeah. I mean, it's like the tea is Peter, is that there's so much content out there. I mean, you, you don't need to, you don't need to have anybody else open up an app for a recipe. I think the key thing that a health club could do, like the Atlantic club is I know when I'm not after that program, after 13 weeks, I know when I'm not doing more, I think, and I also know how I can change my ma my methodology or my food, and I can get back to where I was before. So I think, I think the real key for us is education. And that education is going to get us revenues too. But, but the point is you can't complicate it. You're not going for a doctorate in nutrition. When we, when people talk to you, they're, they're so far above your head and there's a concept of the misunderstood word.

Kevin McHugh:

And it's like, it would be like an it meeting and you're in that it meeting. And you, you, and you're lost in the first three minutes and you're there for a half hour and the other 27 minutes, you need to get anything because you misunderstood. Well, if you do that with a person in nutrition, you want to show up how much, you know, and that's not the important thing. How do you connect with them and change their life? Because they really couldn't care about 90% of what we say. They only care about the 10. So we've got to make sure that that 10% is what's going to impact your life. Yeah,

Pete Moore:

Totally, totally agree. So tell you, you touched upon it, but we didn't really dig into how have you changed some of your pricing structures, membership packages. I feel like everything I'm doing over the last six months has cost me more money. Whether it's I go get door dash and they Jack up the prices and there's like a \$12 99 cents service charge. Plus the delivery fee. I go to a gas station. It's \$4 and 60 cents for a gallon. Are you taking more price? Do you say, look, you know, I've got to run this operation and I've got to make money. And I'm delivering an unbelievable experience. If you divide it by 20 or 30 days, you know, a month, it's the best entertainment you're going to get for the price.

Kevin McHugh:

Yeah. We've used that a lot in the past and I'm not sure what kind of benefit it does. We can always say where the best value with \$3, you know, \$125 divided by 40 is three 50 a day or whatever. I think that when you take a look at when a person buys a Starbucks for, you know, they're not, they're not really, if Starbucks goes from for a cup of coffee to 3 95 to four 15, you're still buying it. But I think that what we

did is we had that word freeze you frozen memberships and on December, because we were also close for a long period of time, bump back to be able to think things through and not be distracted. We decided back before we opened that we were going to change our membership model on January 1st. So we have a membership mile was going to be simple.

Kevin McHugh:

We were no longer going to have a discounted membership. We're no longer going to have corporate memberships. January 1st, where we were going to have is one base price. And you add on what you want. So here's your pace you want to add on nursery, add on nursing, what Alan suspensions and on suspensions, hydro massage and it on if you want to use Redbank added on. But if you didn't want that, you had a base price of \$125, which is pretty much what we were, what happened is we were giving a lot of things away with corporate memberships. So on December. So in October, when we opened up, we told everybody that we were only going to be allow freezes, no cost to all the people of the 6,000 members here at 3000 rent. Bang was that you'll have a choice on December 31st, if you decide not to come back as an active member, that we w we welcome you back after that, but will no longer be able to get the privileges that you had, you know, with your membership prior to COVID because the word freeze meant a lot of things to people.

Kevin McHugh:

It meant one month, three months, maybe a year. So when we're dealing with the banks, cause we all have to do a banks now they'd say how many of those reasons to come back and we couldn't answer it. So we said, we're going to, so we actually terminated 3000 members in Manasquan on January one and about 2000 in rent bank. And that was an eye to the bank and to the hospital, at least we knew where we were. And so we're, we're coming back now. But in red bank where we did theater is in April, we decided and it was a plan to separate Manasquan red bank. Cause there are different models once a adult learning club, once multipurpose club. And we went to a \$99 membership in red bank and you can add on all the things, just like Madden swamp. And that's what really, really well. So we've seen a lot. We've, we've gross netted a hundred members since April in red bank. And you know, so we're, we're happy with where we went with the new membership model.

Pete Moore:

So D just to understand that better. So the people that were on freeze, you gave them notice if they didn't take it, they're terminated. They're out of the database and you basically ripping the bandaid off and saying, if you want to be part of this club, we're open and come back. And if you don't want to come back now we're not going to hassle you. But I want you to come back and I want to, I want a clean set of financials. I don't want to have every meeting. Like what are we doing to get the people off freeze? Well, if they're not ready to come off freeze, they're not really members. So maybe that's a way to to not have people think that that's where the revenue kind of, you know, sitting in some kind of, you know, jar that we can pull from, let's start fresh.

Pete Moore:

I like that. I, I haven't seen anybody else do that. I've just heard a lot of chatter about, let's send them a gift card, let's get them a free personal training session. Let's do this, let's do that. And I think the story that, that equates to me is you got to listen to your customer, listen to the member and it's on their terms. And it feels like you've made all these great steps from whether it's digital, whether it's kind of changing up, you know, the modalities and, and using the square footage better to basically say, if

there's something you want, I'm going to provide it and we'll provide on your terms. We're not going to wait for you because I got to run a business. So I, I liked that. I think other people should, should take that advice and, you know, pull the rip cord and say, you know, if you're not, if you're not a, a pain member by end of June, you know, you're not a paying member and you're not part of the club. And, you know, whenever you want to come back, we know we're here for you.

Kevin McHugh:

Right. And also to skate. I mean, we did stay in contact with our foremost. I mean, on a, on a twice a month, we'd send something out about what's new app in the cloud, something that's reopened a accept. We also have invited them into webinars. So we'd have a monthly wellness webinar, and they'd always be invited into that. So today, for example, we sent out an email that NES are not longer event. You know, we don't need mass as of tomorrow. We probably will do 25 sales here today. Just from the people that responded back, they'd like to come in today. But we have a lot of 20 fives to go to pick up 3000 numbers. All right.

Pete Moore:

So in closing here, you want to give us a, you got any operational quotes or any quotes that you live by that we can add to our our community?

Kevin McHugh:

No, I think the one that the one key thing is that you've kind to be open to change. You've got to be positively relentless and, and stick to it because you're going to have people that are going to want the old way back. And then lastly, I would say, think of the industry as a whole, as some something that you should work together with and not separate. Because the one thing that I do believe we all learned is that we were a splinted industry, whatever, very weak industry. And it impacts if we were strong, we would not have been the last to reopen. And if we were strong, we wouldn't be considered to be a buy, you know, a liability versus an asset. So those things all are, do, do affect us, you know, on the, in the pocket book. And I think that going forward, it's a great industry, but we really have to walk together. So

Pete Moore:

Kevin and I are on the National Health and Fitness Alliance. And we are trying to make sure that we are an essential industry. And if this ever happens again, the HALO / fitness industry will be front and center as a, the solution. And definitely never, we never were part of the problem, but we definitely would wipe that out and, and get get treated properly for changing people's lives. So appreciate everything you've done for the industry, what you've done for New Jersey, for the Atlantic club, but photos seeing you again in person and thanks for coming on.

Kevin McHugh:

Thanks Peter, Enjoyed it.

Speaker 4:

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