



**Complete Transcript: HALO Talks with Darryl and David Bailey  
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Pete Moore:

This is your host, Pete Moore. And I am pleased and humbled to announce the launch of my one and only book, Time to win again, 52 takeaways from playing and watching team sports to ensure your business success.

Pete Moore:

Those of you know, me personally, and then when it was listed as to halo talks for any length of time, know that I am an avid sports fan and a big believer in the value of team sports. What I've seen over the past 25 years, helping businesses grow raising capital, being an entrepreneur myself in coaching and mentoring executives in the sector. It's the lessons learned on the field perfectly apply to business entrepreneurs, executives, managers, you name it. Every company that's a strong company has got a good team. So quick read. There's also illustrations in there from our good friend mark, and cruelty-free cartoons. You go to integrity, sq.com. Enter your email address, and we will send you information on the book and the entrepreneur wars survival kit as well. Be great. Take names, go halo.

Pete Moore:

This is Pete More on HALO Talks, bringing in from Jacksonville, Darryl and David belly, bellies health and fitness, the largest HVLP 2.0 concept in north Florida. Gentlemen, welcome to the show if he,

Bailey Brothers:

Hey Pete, thanks thanks for having us.

Pete Moore:

Good to see you. So why don't we start off and just talk about you know, your, your, your brother unfortunately passed, but you know, he, he started the business you know, out of grinder. So why don't you give us the, the history of how this started and you guys became a health clubs have more,

Bailey Brothers:

Well, I'll try and do it as quick as possible to sum up 40 years, but you know, Don, my older brother he's three years older than I am. I'm the middle brother and David is three years younger than me. So there's exactly three years between us all. So I guess that's good. And, and Don was a college football player that had an injury and came home and decided he was going to start a gym. And this is back in 79, 80 81. So the bodybuilding world was, was really taken off then with Arnold and on Lou Ferrigno and those

types of gyms. And that was the original concept was Don started a a weightlifting gym for him and his friends. And it was modeled on a small gym that a police officer had in the Jackson malaria guy named Jim Greiner, who would let football players and whatnot use a key and get in through a little padlock into his back shed and, and work out.

Bailey Brothers:

And Don kind of modeled that in his first gym. And he had a very small one and he didn't have much money to start with. And so he went into actually building equipment and started a side business, which we still run today called radius bodybuilding products. And back then, you know, you were just building benches and you were building you know, racks for dumbbells and whatnot. We didn't have the state-of-the-art clubs we have now with saunas and treadmills and all those things. And so it was just a weightlifting type gym. And he ran that for several years. I think two, two years maybe. And then he asked me if I wanted to get involved in at the time I had the second small gym and we're talking very small 3000 square feet, probably just a square room with so many incidents.

Bailey Brothers:

So again, nothing like we have today. And I was working with another company at the time and I did it for about a year and a half, and I got the opportunity to transfer away. And when I did David was of age at that point and going to college here in town and he decided to step in and partner with Don. So I left and David and Don took it and really turned it into a business. So that's probably about 83, 84, I guess I leave. And they get it going and, and, and like turn it into a business. And I think it went and David helped me here. I went from Bally's gym at one point, they actually had a gold strategize and then linked up with powerhouse for many years. And there was a Bailey's powerhouse gym for a lot of years.

Bailey Brothers:

And that's about the point that I came back. What would you say David? Probably the late mid nineties yet. And basically they had about four clubs at the time and that they wanted to expand and keep growing. The market was here in north Florida and even in surrounding areas south Georgia and whatnot, but we wanted to develop software and that was where my education to come in and what I'd gone off to do. And you know, we were one of the first, if not the first to actually incorporate technology into running the business. Now, when you read all the trade magazines, of course they all tout technology and how you need it. But we we went down that road and developed a software company, PSI power software, and we made software to run health clubs. And for years we actually sold that to other health clubs as well, not in our market, but in other areas and grew that into the business, but it's quite honest too much.

Bailey Brothers:

And we backed off the software side and made it more proprietary towards what we do. And in the meantime, we managed to again, over all that timeframe get up to 17 clubs and each, each of these clubs have grown in their markets. They're not anywhere near where they would start. They would start small, maybe 10 to 12,000 square feet. And then we've moved them into 20, 30 and 40,000 square feet as the years have gone on. Most of them have stayed in their general area. But in some cases we've expanded in a whole new markets, like in Gainesville, Alaska, and in Brunswick and south Georgia HLP. That's great. That's great. So David talk about, you know, from, from the four clubs that you had originally, you modeling these, these larger

Pete Moore:

Clubs off of a competitor, did you kind of have a sense for, Hey, this is what I think fits in, in, in Jacksonville, you know, talk us through you know, what was the mindset at the time of a strategy of going from 3000 square feet you know, north of 30 or 40?

Bailey Brothers:

Well, in the original, when we were the smaller gyms, we were basically free weights and, you know, 90% male, 10% female. And we started to see the trend is as everybody did an industry expanding. So when we started expanding the club, we were a powerhouse franchise and that was really, you know, heavily dominated by the men and everything. So we tried to move away from that increase our programming with our group fitness cycling and a lot of the team training concepts to bring other people in. And now our demographic is skewed mostly towards women. Actually. We're probably heavier 50, 55% women and 45% men. And I think this class offerings it's helped us quite a bit.

Pete Moore:

Yeah. So for people that aren't familiar with the Jacksonville market, what are some of the testimonials, or what does the brand represent to members? What do they gravitate towards, towards Bailey's?

Bailey Brothers:

I think a lot of people have seen us grown and they take a lot of pride in it. A lot of people consider it their gym and they take a personal ownership in it because they've seen a growth through the years and they feel like they're part of it. When you think of the north Florida market and with 14, 15 of our clubs, basically in no one, we completely dominate this market and, you know, moving around the city, they have a lot of access to a lot of different locations. We vary a little bit of our amenities from site to site. And I think there's really a sense of ownership within our members of the club. They feel like they're part of it.

Pete Moore:

Interesting. So

Bailey Brothers:

When, when COVID hit and then, you know, we were shut down, locked down by the state and then reopened that really shown through. We had so many members who just said, you know, they, they reached out to us. Don't, don't stop drafting my account, even though you're closed, I want to support you guys. I want to be here with you. And it was, it was amazing. And then when we reopened the first four days of being open, we opened on a Thursday. So we had a Thursday, Friday, Saturday, and Sunday. That was, those were the biggest four days the company had ever had, which showed the,

Pete Moore:

Yeah. So talk about, you know, we, we, we work on some transactions in California and New York, just give us a, you know, a little bit of a diatribe on, you know, what does the Jacksonville political arena, what is you know, do you see any of these restrictions coming down on you and do you think you're kind of, you know, somewhat protected

Bailey Brothers:

Not to get into politics, but we do have a Republican mayor and a great Republican governor, and they've kept us open. You've seen the Santas fighting against mandates. Our local mayor has case mandates and mass mandates St. John's county or St. Augustine location is located. They never had a mass mandate and that thing they've all put it back on personal responsibility. And I think that's where a lot of it falls. And I think that's why you've seen us recover so much quicker and back to 2019 level and growing where you see places and other states and other are still struggling. I have friends with clubs all over the country and they're not near back to the levels we are. And I think we have nothing but positive upside to go. Yeah.

Pete Moore:

You know, as the, as we're kind of weaning out of the pandemic, do you see more real estate opportunities becoming available to you? Is that a concern that, you know, competitors can come in or you think that those are opportunities that you might pursue, you know, before that, because you've got such a strong financial base right now,

Bailey Brothers:

I think we have a great working relationship with a lot of the big landlords in Jacksonville. And a lot of those opportunities come straight to us. They really hit the market. We don't really worry about competition though. We, we focus on what we're doing, that's what we control. So we control what's inside our doors and we keep expanding and making what we have better every day. Competition is going to come and go. We've done a countdown before. I think I've seen a a hundred plus clubs come and go. And the 30 years we've been here, it's funny, but we're not going to,

Pete Moore:

I'd like to see that list. That would be a good list to have of, of the opening enclosures.

Bailey Brothers:

We had a sales meeting one time and we actually had them on a whiteboard. And we, it was just column after column of all the people that were going to put us out of business from, you know, everybody from goals to LA fitness to.

Pete Moore:

So now let's talk about the technology for a minute. And, you know, as a lot of clubs are typically making changes internally based on when they're billing software company as a new feature. So talk about, you know, I guess there's a benefit to, Hey, yeah, obviously I can do that. But there's also, you know, a thousand things that we could do. So how do you kind of architect the technology? You obviously worked at Anheuser-Busch who worked at big companies, so, you know, how develop schedules, work and priorities. So talk to us about, do you need this or that of the software? How is mission critical to everything that's going on here? And now, you know, when there's something that happens, whether it's somebody stealing something. Okay. I know how to fix that to, to give us a little couple of, couple of bullet points.

Bailey Brothers:

Well, I mean, coming back to the very beginning, the very, there were three main things that I saw that we needed to do. When I went back with Don and David to grow the business from a financial standpoint and technology standpoint, you know, they could sell the memberships and, and add all the

amenities, but if we couldn't get paid for them and we couldn't run them properly, we knew we had a problem. So, you know, the way you do your electronic billing, the way you do your club access, and then the inventory control, we wanted to sell supplements. We thought there was a, there's a, you know, GNC makes a living off of selling supplements to our customers. So we had the captive audience. Why can't we do that? And I see a lot of clubs that don't do that because they can't track it and they can't control it.

Bailey Brothers:

And the theft and the losses, it just overrides the profit margin. So, you know, being able to do that, it's a comprehensive problem that needs a comprehensive solution. When I talked to other club owners, it seems like they have an access system to open the door. They have another system that does their guest management, and they have another system that does their billing, and that really creates redundancy. And it creates a lot of a headache trying to keep all those systems jogged up if you will. And so what you need really is, and that's what I thought we brought to the table when we sold it, we were club owners. We use it every day and you've got a comprehensive solution that ties every bit of your member management into your billing, into your human resources, your payroll, and then you take the compliance angle of it and add that into it, to make sure that you've got the liability waivers, you've got the electronic contracts and you say, you know, what am I doing to re to reduce redundancy?

Bailey Brothers:

And what am I doing to increase efficiency? I don't have to file paperwork. It's all there on the computer. It's all digital. And as far as how do I get into this if I already have something else in ha and how do I transition if you will, it really is a step-by-step process. And it would, for us, it depended mostly on, on, you know, what we were trying to do. And in our case, multi-site, and being able to control that access and enhance the ability to upgrade our members to the different packages. And if that answered your question. Yeah,

Pete Moore:

Yeah, it does. How big is the technology team? How big is the technology team in house?

Bailey Brothers:

Well, myself, I, I don't program as much anymore. I review every bit of code and I do all the design and then I have two full-time programmers and our analysis team is just two full-time staffers. So it's really a small team that controls PSI do use outside resources for web development. And you know, when projects are a little bit bigger, we do have outside contractors that we use, but in house, you just have that, that group.

Pete Moore:

Got it. That's great. David, there's some other strategies that you've deployed here. You know, you've got a pretty big maintenance staff. You want to talk about that and just making sure, you know, one of the things Belize is known for is, you know, things don't have signs on them that says out of order, right? That's not something that's acceptable to you guys. So talk about how you built the infrastructure for that.

Bailey Brothers:

Well, the infrastructure again is linked back to the software all of our, each site location as a repair database in it, that's part of our software. So any repair will go into our system and it automatically generates and goes to a main warehouse. We have a central warehouse where all of our maintenance employees report to there's 15 maintenance employees over there that do anything from restocking, the clubs from supplies, materials painting, upholstery of items. We have a little sewing shop where they do all the pads on the equipment, et cetera. And we have great manager over there named Mike Johnson, and he gets the reports in the morning and he dispatches the people to do the repairs. And they'll do everything from unclogging toilets that day, or maybe going in and installing new carpet or new tile in a lobby, you know, club refreshes and things of that nature. So it really keeps our clubs in great condition. You won't see a torn pad, et cetera in the club. There's no deferred maintenance in our club. I think we're on top of it. A hundred percent.

Speaker 4:

I want to take a minute and tell our audience about two awesome workout recovery products I've been using for the last 18 months from higher dose.com leader in infrared technology for athletes. Like all of us are, we're an investor in the company. That's not why I'm telling you this. I'm telling you this because it works. Got an infrared sauna blanket. I hop in there, Alyssa, some podcasts burn, 800 calories, get a med detox and a PEMF, which is a pulsed electro magnetic field crystal mat that I lay on and our recalibrate my cells to denormalize level the earth. You got somebody you like that. You're looking for a pretty awesome gift. They will love it. You could use this code halo seven five, get \$75 off, and you will not be disappointed higher dose.com, promo code halo 75. And now let's get back to our regularly scheduled program.

Pete Moore:

As over the last 25 years, everyone tries to outsource everything. And you guys basically have said, well, look, I think I could do this better. So what gave you the confidence to do that? Obviously the execution has been, been done, but did you just say, Hey, that's a trend, but that's not my trend.

Bailey Brothers:

I think you don't, you know, when you don't have the money, you start out small and you don't have the money to outsource it. You figure out how to do it.

Pete Moore:

It's a great point. Yeah. It's, [inaudible] here.

Bailey Brothers:

Yeah. As it's grown P we've been able to bring on experienced people and technicians and whatnot and create a good job for them. And, you know, we've learned through experience and the eldest would never sit here and advocate that we know everything to do. But after so many years of doing this, you'd know what not to do sometimes. And that makes it very helpful when you're building a club or you're putting systems in, you've done this a few times, so you're ready to go. Yeah. See of other suppliers too. You know, when our treadmill goes down, we have a small supply of parts on hand. So we can go out and fix the piece that day, you know, common repairs and maintenance items. We keep a lot of those items in stock. So, you know, we don't have equipment down for a long time. We look at that as a customer service issue, you know, so it, it really solves those problems much quicker in the eyes of the the member. So they see that. Gotcha.

Pete Moore:

So David talk about, you know, over the last year and a half or so, you've been part of a restaurant round table, and, you know, you've been gleaning more information from other owners that are dealing with you know, their own set of issues or problems or growth opportunities. Talk about the way you think the industry is now and how you feel about the bricks and mortar, you know, going forward here.

Bailey Brothers:

I think the bricks are going to be very strong. I do you see the technology coming in with things like Peloton and things like that? I think the clubs provide a unique environment. There's a lot of energy there just like a Starbucks coffee. You can make coffee at the house yourself or whatever, but how many people go to Starbucks to get the coffee? It's the better cup of coffee. It's a better experience. And that's what we're trying to provide at the gym. And I've traveled around and I've seen a lot of great clubs and the Rex has been a great help to me seeing these facilities and building things like our team training program to get more members involved and just a little niches and details in the club to keep changing and evolving with the times. So I think brick and mortar is going to be very calm for the upcoming years. And I think with some of the big box spaces kind of more available, I think we'll see retail. I mean, a leasing prices, very reasonable, second generation space, very reasonable, especially in the south. I think there's a lot of room to grow. Florida's one of the states is just booming and population-wise Jacksonville is a, I think at 1,000,005 and Duvall county now 1.6.

Pete Moore:

So when you take a look at some of the potential boxes that you would build and I know you, you kind of built Oak leaf somewhere with your bare hands, right? Couple of the installations I think you got your signature on it, or at least you told me you did that, you know, as you go forward, you know, what's, what's the prototype look like and what is Oak leaf kind of the, you know, the, the comments of, you know, this is the new valleys footprint.

Bailey Brothers:

I think the same location in Oakley for two examples, our newest examples of what we can do. I think when you can get that 40, 45,000 square foot size box, there's a lot of amenities you can offer that and a variety of customers. And I think it's a really strong presentation when you come in and you see that size store. So I definitely think it's the model for what we can do in the future.

Pete Moore:

Got it. Talk about, you know, there's not that many multiunit operators in Southern Georgia, you know, maybe going up the coast towards, you know, Charleston or Hilton head, you know, w where do you, you guys have got gone into the Orlando proper market. Is there a reason why you stayed out of there? Is there a reason why you think north is kind of, you know, maybe a better sweet spot?

Bailey Brothers:

No, I think there's opportunities, like you said, Valdosta, Savannah upwards, and towards the coast and the Carolinas, and also think reaching a little bit to the south Orlando's growing and stretching outward. I think there's a lot of opportunity to those markets. There's actually a couple of by opportunities down in Orlando that we've kind of looked at, but haven't jumped on, but there's a lot of opportunity out there. And there's a, there's a growth out to the west that where Oak leaf is, they've just put in some new expressway systems out there. You're going to see most of that, some of that pushing out which

would be east from the panhandle, from Tallahassee, between Tallahassee and Jacksonville, that's 180 miles. So if you go about 60 miles over, you've got live Oak and no Callan, and there's a lot of opportunity and a lot of growth that's happening there. I don't think I'll ask you has a strong competitor and it's more now.

Pete Moore:

Gotcha. And then what is the rest of the team look like? You know, you've got regional, you've got district, you've got Trump, general manners are good with you for a long time.

Bailey Brothers:

Absolutely. I mean, we top general managers, one and operations, and one in merchandising both been with us double digit years below them. We have regional managers of three of those that our newest one is only three years in, but he comes with about 10 years of club experience from up north. He transferred down to the south Florida or to north Florida. We were able to get him. But the other two guys have been with us quite a long time. One-On-One with, since the, since the start Sean Seymour, he's actually running our Oakleaf location now, but he manages five other spots as well. And below that, you know, our team of, of fitness consultants and what we call support personnel and we call them cashiers and guest services. And we pay better than anybody in the industry, you know, and it's Pete and that's I think helped us keep our people. We have a great health plan. We have a great 401k plan. And you know, we try to create the environment, not only for our employees, but we talk about member experience all the time. It's also employee experience. If they're not happy, we don't think they're going to be able to make our members happy. So it's a win-win.

Pete Moore:

Gotcha. So, you know, as you as you look at what you've built over time here, and you think about your, your brother's legacy you know, the next phase of growth here is probably doubling the size of the company. You know, it kind of goes from a family business to, you know, a much broader reach. So, you know, how, how comfortable are you with that? How excited are you about it? And what are some of the what are some of the limitations are you say, look, you know, we, we can build this engine, but now I want to do three or four clubs a year. That's kind of what we're comfortable with or less or more, you know, how do you think about that? Because there's a lot of capital out there, but there's also about execution of doing things without actually what you guys have done very successfully.

Bailey Brothers:

I'm going to say something to that point. There's so much growth opportunity. It's just a matter of it's, it's hard to do things as fast as we'd like. I mean, we have the infrastructure in place. We have the systems in place. We certainly have the experience and this, the two main things that are always there for people, what's the capital to get it done and the people to get it done. You know, we feel like we have the expertise and the opportunities are there. It's unfortunate that we haven't been able to move a little bit faster, but in moving the way we have, like you said, methodically, I think we've done things well. And we've learned a lot along the way. It's just on to the actual actually just blow that wide open. Cause I think if we don't, somebody will and we want to be that person. We want to be that player. Gosh, my brother Don was adverse to any kind of debt. We actually run as a debt free company location. We built that location out of cashflow. So like I said, operating like a company this size and with the people we're doing right now at zero debt, I think is something to be said.

Pete Moore:

Yeah, that was great. But then we took some pressure off you guys. When when February, 2020 came up. So in closing here, you got any quotes that are in the office or any quotes that you guys live by, or they say all you guys see this all the time.

Bailey Brothers:

Well, we add, we have one and I kind of played your eyes different. My first career at Levitan was the former vice president who was an merchandiser from up New York area and an immigrant. And it's that people do not build a business. People build an organization and the organization builds the business. It has done successfully in no other way. And we drive that home all the time. We were only going to be successful as a business. If our organization is intact and organizational only be intact, if we take care of our people,

Pete Moore:

That's a great way. And you can,

Bailey Brothers:

It's not this, isn't a secret sauce. It's teamwork and work ethic. It's just a matter of doing it all the time. I can teach you what to do. You've got to bring the energy and the enthusiasm and the love of what you're doing, because I can't control that only you can, if you'll bring that to the table, we're good to go.

Pete Moore:

That's great. All right, guys, we'll look forward to a torn, a couple of our floods. It's better to have more time Jacksonville. So thanks for being on hilltops and look forward to working out without a mask and hopefully show you

Bailey Brothers:

That. Alright

Pete Moore:

Guys. Awesome. Thanks.