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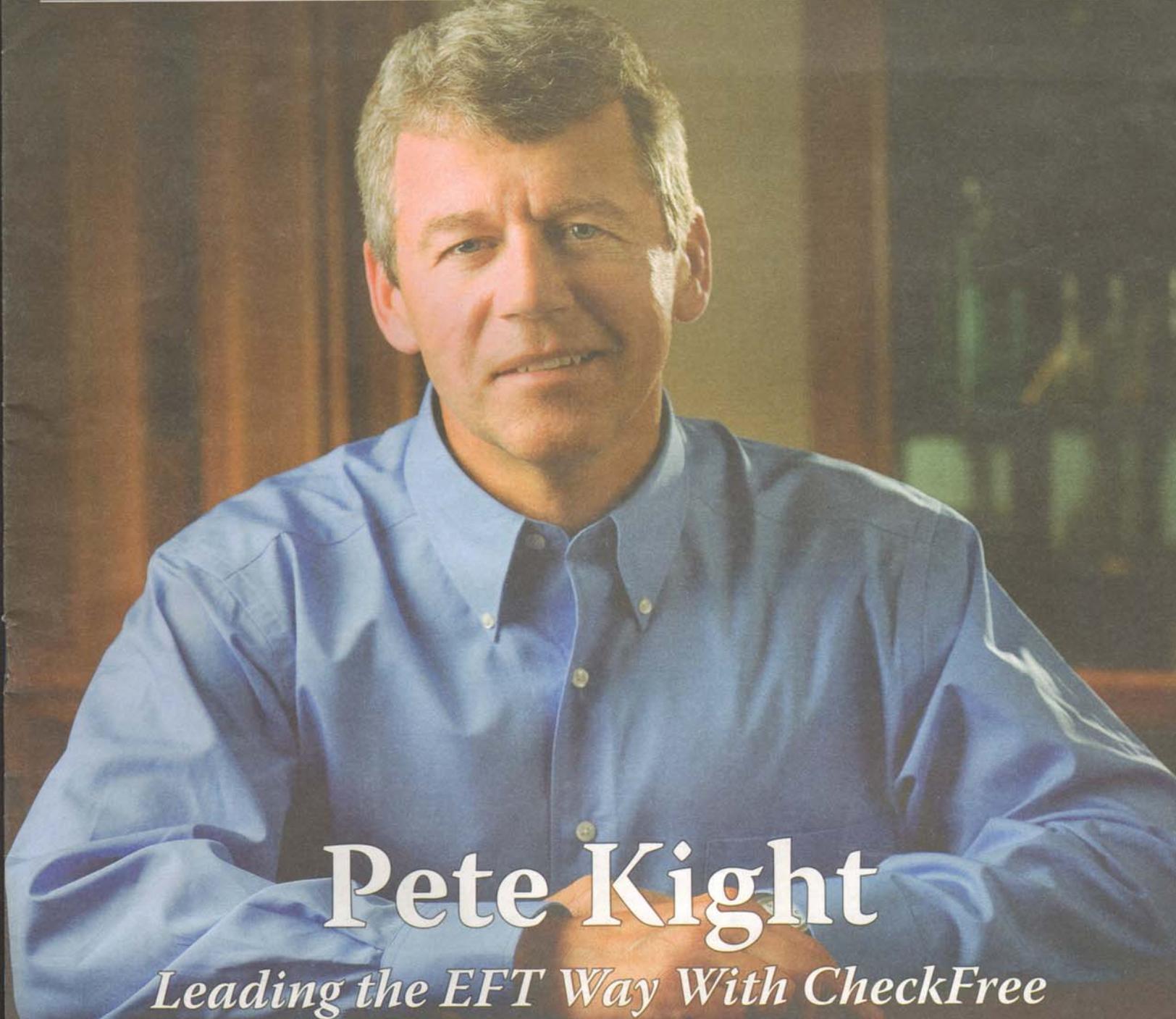
Norm Cates'

THE Club Insider

NEWS

JANUARY 2006

The Pulse of the Health, Racquet & Sports Club Business Worldwide



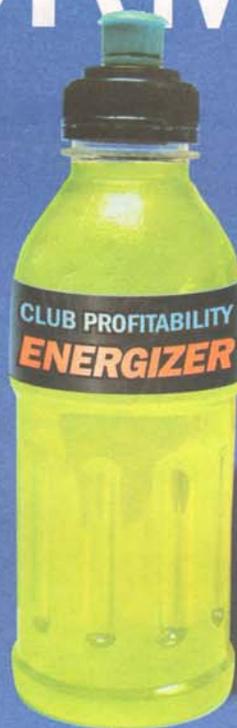
Pete Kight

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Norm Cates' **THE Club Insider** NEWS

Pete Kight

Leading the EFT Way With CheckFree

CheckFree Celebrates 25 Great Years!

By: Norm Cates, Jr.

777. What do those numbers mean to you? 777 reminds some of the world's largest airliner, the Boeing 777. To others, 777 means you've hit a jackpot on a slot machine. Read on and you will find out what the numbers 777 mean to Peter J. "Pete" Kight, Founder, Chairman and CEO of CheckFree Corporation.

To Pete Kight, the numbers 777 remind him of his

checking account balance 25 years ago when he founded CheckFree. That's right. Pete Kight had exactly \$777 in his checking account in 1981 the day he decided to start his company in the basement of his grandmother's home. The story of the 25-year evolution of CheckFree Corporation to its global leadership status today in electronic funds transfer (EFT) among many other financial services categories, is an amazing and inspiring story

indeed.

The health, racquet and sports club industry today may not realize how dramatically it has been impacted by one man, Pete Kight. He did it the hard way. He began going door-to-door in an Ohio apartment complex selling people on the idea of electronically paying their monthly rent. Step-by-step, door-to-door, Kight worked his way into history.

Very early on, Pete Kight aligned with another pio-

neer in the computer world, Dick Mitchell. After meeting Dick at the first IHRSA Convention in Las Vegas in 1982, Kight teamed Mitchell's RCM Systems with CheckFree. It was not long before CheckFree acquired Mitchell's company and its services to rapidly advance CheckFree's growth in the health and fitness industry with Dick Mitchell as a CheckFree employee.

Today, still led by Pete Kight, CheckFree Corporation

is the giant in its field...a titan in American and worldwide electronic commerce and other complex financial services. The path traveled by Kight, a former decathlete at the University of California Bakersfield and now a member of the Board of Directors of the U.S. Track and Field Association, has been a long and arduous one. While traveling along that path, Kight discovered multiple applications for moving money elec-

(See Pete Kight page 10)

2005 In Review Part II

May through August 2005

Our May, 2005 cover story entitled: **GREG ROWE A Great American Health Club Owner depicts GREG ROWE and the California Fitness Center Team** at the awesome CalFit Polaris, Ohio location. This follow-up review comes at an exciting time for Ray Wilson and the wonderful Greg Rowe Family because just last month we filed a report about the sale by Wilson and Rowe of California Fitness to Geoffrey Dyer's Lifestyle Family Fitness (LFF) Centers.

I've come across a bunch of bright, high energy, and talented club developers/owners/operators in my now 32 year involvement in this great industry. And, I can tell you that Greg Rowe, our May cover subject, is way up on my list of our industry's TOP TALENT, along with another Ray Wilson protégé, Larry Gurney. The story of how Greg Rowe and his lovely and equally high energy wife, Jill, sold their home in Southern California and packed up and moved to Columbus,

Ohio and made a success out of the California Fitness, growing it into a high powered chain of 9 clubs is an amazing one that I really enjoyed sharing. (See page #3 for the report on the CalFit sale to LFF in our December 2005 In Review edition).

Our two other page #3 stories for May were: 1) the announcement of the contract for sale of 24 Hour Fitness for \$1.6 million to the firm of Forstmann/Little and 2) a follow-up report about Body

Training Systems and those developments. As part of the BTS report we published a letter written to his fellow Gold's Gym Owners by highly successful and prominent Gold's Gym owner, Gordon Johnson. In his letter, Johnson explained the multiple really excellent business reasons why he was sticking with Body Training Systems after the split with Les Mills International. I know Gordon Johnson pretty well and respect Gordon's business ac-

(See 2005 In Review page 28)



Inside The Insider

- "Insider Speaks" – Protect EFT!
- The Commodity Trap and How to Avoid It!
- Sales Training With A "Personal Touch"
- The "Intimidation and Embarrassment Factors"

Fitness Formula Announces Landers Acquisition

(Chicago, IL) – Fitness Formula, Ltd. has announced that CEO Gale Landers has bought out the interests of his partners in Fitness Formula as well as their interests in its affiliated Fitness Formula Club locations. As a result of the transaction, Landers is the sole owner of Fitness Formula and general partner of their eight

upscale fitness clubs, all located in the City of Chicago.

Landers, a former IHRSA Board President, co-founded Fitness Formula in 1984. The company has a ninth club located in Oak Park, Illinois under development, which is scheduled to open in 2006.



Gale Landers

•Norm's Notes•

Thank You

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•Sherry Robb - Co-Founder - MarketMyClub.com - 1-888-765-4717

•Stephen Tharrett-Consultant &- Author-Fitness Management - 1-888-229-5745

• Hello everybody and a **HAPPY-HEALTHY-PROFITABLE NEW YEAR** to you all! This is your friendly **CLUB INSIDER** Publisher Since 1993 checking in for the 146th month in a row! Hold onto your hat...we've got a **BLOCK-BUSTER** for you! I hope you enjoy it!

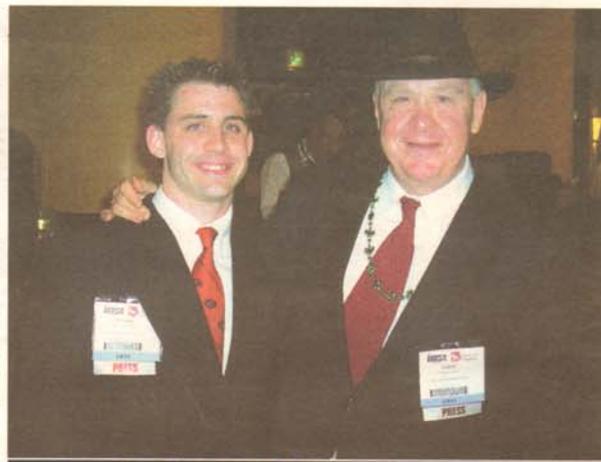
• I want to thank **ANN CAVE** of **CheckFree's PR Department** for her kind assistance in arranging the interview for our terrific cover story with **PETE KIGHT**. I also want to thank **JUDY WICKS** for her kind **emergency assistance**, as my **almost brand new tape recorder malfunctioned** right at the beginning of the interview and **Judy saved the day** with the loan of her small hand held recorder!

• I am so pleased to be able to praise my son, **JUSTIN STEVEN CATES**, as he made the **University of Georgia Dean's List last semester with a 3.6 G.P.A.! 3-A's and 2-B's!** Hell, **Justin**, who turned 21 on Jan. 18th, got **more A's on one semester report card than I got in 16 years of school!** **CONGRATULATIONS JUSTIN... and keep on going and working and going and working until you hit your goal of a 4.0. You CAN do it!**

• Please **Mark YOUR**

Calendar for March 20-23rd for **IHRSA's 25th Anniversary Convention and Trade Show** and pick up the phone and call **IHRSA at: 800.228.4772** to sign up for the convention. **WHY** should this huge convention and trade show be **IMPORTANT TO YOU?** For the **BEST REASON** of them all, check out my page #5 **IHRSA** ad to **your right**. **READ** about the amazing **educational opportunity** that is going to be jammed into these four days. **REALIZE** that **YOUR COMPETITORS** right down the street are going to be there learning how to make their clubs more professional and thus, more profitable. **PLAN** to learn a **LOT** at **IHRSA!** The list is long, long, long, but you can look at your **CLUB INSIDER** from last month and see the **IHRSA** ad listing another **GREAT REASON...the WORLD'S LARGEST TRADE SHOW!** And, speaking of that, please check out our **CLUB INSIDER Advertiser List of IHRSA Exhibitors** on this page. **Photocopy the list and take it with you** to Las Vegas and **stop by the Booth Exhibits of our great advertisers**, learn about their **products and services** and learn how they can help you make your club the best!

• My friends **RICK**



Justin (L) & Norm Cates, Jr.

CARO, Founder of **IHRSA** and **BIG JOHN MCCARTHY**, the **Alliance Master**, will be honored in **Las Vegas** with **CLUB INSIDER'S** third annual "**Health Club Pioneer of the Year Awards**" for 2006, for their years and years of **amazing and dedicated** service to this industry. The place, date and time of the presentation will be announced at a later date. **STAY TUNED.**

• The upcoming **IHRSA BOARD Nominees** will be presented for **IHRSA Membership approval** at the **Opening General Session of IHRSA25**. They are collectively a **great group of people** and **individually** are well accomplished **LEADERS** in our **INDUSTRY**. The **IHRSA 2006 Board Nominees** are: **RICK BEUSMAN**, CEO of **Saw Mill**

Club in Mt. Kisco, N.Y. and son of **IHRSA Co-founders, CURT and JANE BEUSMAN, LYNNE BRICK**, co-owner of Baltimore's **Brick Bodies**, **BOB SHOULDERS**, owner of **Fayetteville Athletic Club**, Fayetteville, Arkansas and **DAVID PATCHELL EVANS**, Founder and owner of over **110+ Goodlife Clubs** in Canada and **also Founder and CEO** of the **Can-Fit-Pro Convention and Trade Show**. We wish **IHRSA** and these **terrific individuals all the best** as they have a lot of unpaid, **hard work** ahead of them in their **IHRSA Board service**.

• **Congratulations** to **Fitness Formula CEO, GALE LANDERS**, as he has acquired the interests of his partners in **Fitness Formula**,
(See Norm's Notes page 7)

Norm Cates
THE Club Insider
NEWS

13 Years and Counting!
Established 1993

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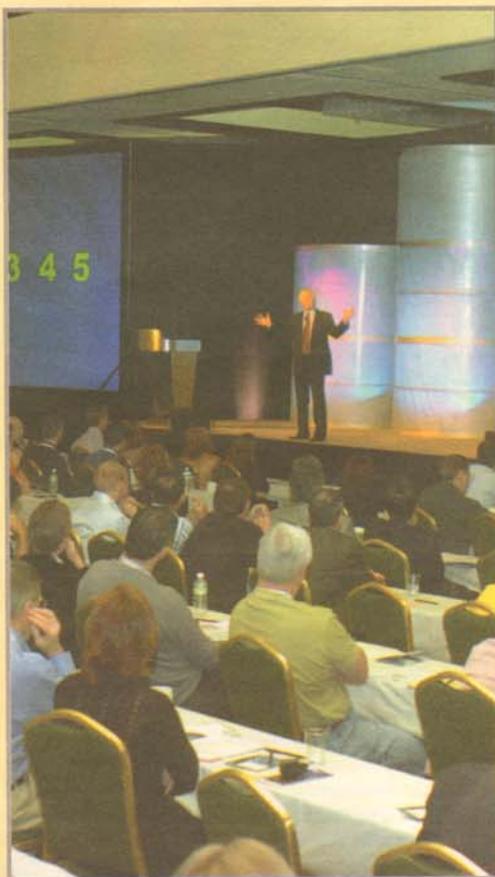
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**The 25th Anniversary International Convention and Trade Show.
March 20-23, 2006 in Las Vegas, Nevada**



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IHRSA25 is education on a global scale. Nearly 120 seasoned industry speakers from the world over will converge on Las Vegas, presenting a comprehensive curriculum of seminars, workshops and panels on the topics you require for success as we Go for Gold...the next twenty-five years of the fitness industry!

You must not miss IHRSA25. The best of the best speakers—Collins, Blanchard, Chopra, Lundin, Blair. The education of a lifetime. The largest trade show in the industry. And a vision for the next twenty-five years. Join us as together, we Go for Gold!

Time is running out. Register for IHRSA25 by February 15 and you'll SAVE \$50 off the on-site registration fee.

It's your last chance to save, so visit IHRSA25.org or call 800.228.4772 (US/Canada) or +1.617.951.0055 (International)

www.ihrsa25.org **1981** 1982 1983 1984 1985

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“Insider Speaks”! “Protect” EFT

By: Norm Cates, Jr.

I want to issue a *caring warning* about the very serious need for everyone that operates a health, racquet or sportclub in our industry to “Protect” EFT!

I issue this “warning” to all of you out there in our terrific industry whom I care about a lot because “back office” problems in any club or club chain could trigger issues and bad publicity that ultimately could escalate into state legislators becoming involved. **Trust me folks...we DO NOT want new laws passed to stop health clubs from collecting dues or to limit or place conditions on clubs with respect to EFT or any other collection/financial process!**

This is currently the case in Northern California, where 24 Hour Fitness has been hit with a Class Action Lawsuit for “alleged” improprieties and irregularities in their collection of membership dues.

Please understand that I have NO DOG in this hunt....such potential problems for you all, my good friends who are club owner/operators, would not impact me directly. But, indirectly it will impact CLUB INSIDER and the entire health club industry, should state legislators in any state start to mess with the EFT rights and pass bad laws with respect to EFT and other financial opera-

tions, through attacks by state lawmakers in *any state*. Such a law passed in *one single state* could easily, over time, become a *nationwide plague* for our *entire industry!*

Also, please understand that financial issue based lawsuits, such as the one against 24 Hour Fitness in California, that has escalated to Class Action status, has NO UPSIDE! (For anyone not familiar with the legal term “Class Action”, meaning when one potential litigant teams up with multiple others to pursue the same complaints and issues against the same defendant). Typically, a class action lawsuit will draw much more negative media attention than a single lawsuit from a single individual. And, that is a *bad thing* too, no matter whether it arouses law makers or not.

I do not know if 24 Hour Fitness is guilty of the allegations and claims by the Class Action plaintiffs in the case. That will be decided in court, unless a pre-trial settlement is reached by 24 Hour Fitness, which I would sure recommend to 24 Hour Fitness.

The “guilt” or “lack of guilt” in that particular 24 Hour case is not the point here. Nor, am I criticizing 24 Hour Fitness, but instead here am using the most recent example of this problem that I am aware of. I am aware of other organizations

that I FLAT KNOW are GUILTY of such offenses yet somehow have avoided prosecution. Many of you know to whom I refer here.

The point here is that even the “hint” or “suggestion” of financial impropriety in a health club of any size could cause problems for not just that club or chain of clubs. It could cause problems that could escalate to effect the entire industry, all 29,000 or so, clubs!

Consider the case in California. Suppose this Class Action lawsuit comes to the attention of some State legislator and the representative of “the people” decides he wants to stop it and along the way make a “name” for himself with the voters.

What *better target* could he find to attack? I mean, let’s face it. Over the past 60 years, but particularly in the first 30 years of the history of our industry, the reputation of the health club industry of midnight club closings, high pressure sales techniques, “bait and switch” advertising and other less than ethical behaviors gave our entire industry a “black-eye”, “a bad reputation” that whether you know it or not, we’re all fighting until this day.

Just think about it. The numbers guys say that in the U.S. only approximately 14% of the population are members of health clubs. I would argue that one of the TWO PRIMARY factors contributing to the LOW U.S. population penetration, is the “history”...the “reputation” of our industry.

Interestingly, the other PRIMARY factor is covered in an article this month by new Contributing Author, **Rande LaDue** on page #24. *The article is entitled: “The Intimidation and Embarrassment Factors”.*

Without a scintilla of question in my mind, those two factors weigh in heavily to the low U.S. penetration.

So, it is those clubs that have built and maintained over a long period of time a “TRUST” relationship with their club in their community, that score the best against the health club industry “reputation issues”.

And, I will argue

here...it is the clubs that have figured out how to whip the “Intimidation and Embarrassment Factors” by providing the obese with environments, facilities and equipment created and targeted especially for them, that are succeeding in attracting America’s 64% obese and seriously overweight population.

So, with our industry’s “reputation” issues clearly getting better, we still are walking a very fine tight wire in our industry. If just one state legislator, because of some health club money lawsuit or dispute, say for this discussion, in the great State of California, gets a notion to go after the health club industry...**LOOK OUT!**

Point #1 of this article is this. **IF** you are trying to operate your own club dues collections and financial transactions, electronic and otherwise, your back office operations are a sitting duck for disaster. FOLKS...listen to me here. GET OUT of financial operations done by employees of your club and leave it to the PROS! I mean, you would not put a professional and skilled financial person, such as those at CheckFree, Affiliated Acceptance Corporation and ABC Financial Services in your club to manage it or work with members like you do, would you? So, **WHY** now do you think it is smart to try to do your own EFT? **And, I can also say without equivocation, “I wish like hell I had turned to the PROS because I would honestly say to you I estimate that I LOST at least \$1 million over my 20+ year club owner and operator career trying to hire employees “in-house” instead of using the PROS! That’s a HARD WAY to learn a good lesson!**

Point #2 of this article is **IF your club does NOT** collect its dues via EFT, you really should join this electronic world! I, based upon my vast experiences and mistakes while trying to operate before EFT, I can honestly say to you: **“EFT will change your club business management life for the better.”**

For both **Point #1** and **Point #2** party’s, let me recommend for sure, that you read the **entire** cover story interview with **CheckFree Founder, Pete**

Kight because he does a great job of explaining *all of the many reasons WHY and HOW EFT will greatly help your club.*

While reading Pete’s great interview, check out ALL of the PROS and their ads. **CheckFree** on page #2, **Affiliated Acceptance Corporation**, page #9 and **ABC Financial** on page #11 of this issue. Contact each company. Research the companies and learn from each of them about their services, how they provide them and how much their services will cost your club. **I urge you to get on board with EFT** if you are not and **if you’re** trying to safely run your own “back office”, for God’s sake, examine the opportunities these **PROS** offer for your club!

Let me close with a quote from **Rick Caro, Founder of IHRSA, President of Management Vision in New York City and 33-year club industry veteran about EFT.** (This quote was also published in Pete Kight’s cover story and is repeated here because of the great importance of Rick’s statement) In response to the CBI Magazine reporter’s question, “What do you think is the single most important development in the industry over the last 25 years?” Caro said, “The concept of electronic funds transfer (EFT). It’s made it easier for people to join clubs by breaking down the fee, and the commitment to join, into monthly installments, and by offering the option to cancel at any time.”

(Norm Cates, Jr. is a 32-year veteran of the health, racquet and sportclub industry having developed, owned and operated clubs in the Southeast for 20+ years before beginning Publication of CLUB INSIDER 13 years ago. Cates was the 1st President of and a Co-founder, with Rick Caro and others, of IHRSA. In March, 2001, Cates was honored by IHRSA with its DALE DIBBLE Distinguished Service Award. Cates may be reached at: 770.850.8506 or email: clubinsidernews@mindspring.com)

Norm Cates
THE Club Insider
 NEWS
13 Years and Counting!
 Established 1993

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...Norm's Notes

continued from page 4

Ltd. See page #3.

• **Veteran** industry leader, **MITCH WALD**, former **CEO of Sport & Health**, and former **IHRSA President**, has joined **TIM and LIZ RHODE** as **COO** of the terrific **Maryland Athletic Club and Wellness Center (the MAC)**. Mitch's chief responsibility at the MAC will be to **prepare** the company for **growth**.

• **THOMAS PLUMMER**, one of the greatest gifts God has given our great health, racquet and sportclub industry along with a few others, has come up with a genuinely deep and wonderful Membership Campaign for clubs called **Find YOUR Reason!** In a nutshell, Find YOUR Reason is a program where people are encouraged to think about their lives and figure out who is important in their lives...and then, to go about becoming fit and more healthy so they will be around to enjoy their life with those they love. Find YOUR Reason is targeted well to America's obese and overweight people who may be searching for reasons to go on. See his ad on page #21.

• Here is a **Bally Total Fitness** update. It has been tough to keep up with all the **daily Bally SEC Filings and other documents** that has been produced in the now **all-out WAR** between Bally's current management, led by current **Chairman and CEO, PAUL TOBACK**, and the parties that are now **extremely aggressively** attempting to, through a **PROXY FIGHT and VOTE** at the Board Meeting **January 26**, to remove **TOBACK** and his long-time **Bally Management Team**. I imagine Paul Toback and his Team, have been burning a lot of **midnight oil**, while they attempt to fend off this takeover effort by **MANNY PEARLMAN's Liberation Investment Groups** teamed up with the **Pardus Financial Funds**. And, Toback and Team are now preparing for the upcoming **"SHOWDOWN in Chicago"** at the Bally Total Fitness Board Meeting Jan. 26th. To make sure they don't get too much sleep, Toback and **BILL FANELLI** and **HAROLD MORGAN** and their **Team** have done a good job of **continuing to run the company during the past four years**. Frankly, the positive trend of Bally's financial results reported in their recent re-statements, given the massive amount of disruption of all aspects of the Bally operation by these raiding insurgents trying to take over Bally, is remarkable to me. I mean, just think of **your** club operation. How would you manage if all of a sudden, you and your entire Team of leaders had to become intensely engaged in a **monster legal fight** like Toback and Team have on their hands? However, two things trouble me about this whole deal: **1) I wonder about former Bally CEO, LEE HILLMAN's 'behind the scenes' involvement in all this. After all, it was**

under Hillman's watch as Bally Chairman and CEO, that Bally got into trouble with their accounting with the Security Exchange Commission and were accused of "creating an aggressive accounting culture" at Bally's and 2) I wonder WHY current Bally Chairman, Paul Toback, unloaded about \$3 million in stock a few weeks ago? LATE BREAKING: I found out. Tax reasons...to explain briefly. In a recent writing to shareholders in advance of the company's January 26 Board Meeting, Toback asked investors to support the company's current management team, its turnaround strategy and its slate of directors for election. In support of his request, Toback points to progress in key operating data for 2005 recently filed, as well as the engagement of **J.P.Morgan Securities, Inc.** and **The Blackstone Group**, to assist BFT in exploring a range of alternatives aimed at enhancing value for shareholders. Those **alternatives include: "a recapitalization, the sale of securities or assets of the company, or the sale or merger of the company with another entity or strategic partners."** **STAY TUNED** for our **February edition** when we will announce the **outcome** of the November 26, 2006 Bally Board Meeting!

• On some **positive developments** at Bally, at this writing, Bally has extended the closing deadline for the sale of **Crunch Fitness** to **MARC TASCHER, CEO of Sports and Fitness Ventures**, until January 17, 2006. The sale would include **Bally's 21 Crunch** locations as well as its **2 Gorilla Sports Clubs** and two **Pinnacle Fitness Clubs**. Bally has launched a new advertising campaign featuring **'real people with real results'**. The new campaign entitled **"Meet Your Potential"** will **emphasize** the Company's **pledge to "make it personal"**. The campaign **moves away** from the **hard-core fitness ads** of the past and takes a realistic look at fitness goals and challenges faced by average Americans. **IHRSA club owners** have complained about the **'hard-body' ads** used by BTF for years. Here's an idea. Why doesn't **Curves For Women Founder GARY HEAVINS**, step in and **acquire all 400+ Bally Clubs** and use those as a **"next-step"** for their 2 million or so members. That would immediately give his organization well over 4 million members! The reality is, Curves For Women is already a "farm-system" creating new members for many larger clubs nationwide.

• **The Salvation Army** has received initial approval from the **Kroc Foundation (McDonald's)** to fund an **\$80-million fitness/wellness community center** in the Upham's Corner neighborhood of Boston, MA. The **85,000 sq. ft. center**, located on five acres, will include: a gymnasium, aquatic center, and a health club, plus an auditorium, a library, a family center, a kitchen, a computer center, and a chapel. The Boston
(See Norm's Notes page 8)



IHRSA BUSINESS OF THE YEAR

Greenville Racquet and Fitness	109% Increase
Aspen Hill Club (MD)	20% Increase
The Gym (England)	Pre-Sale Sold Out
Atlantic Club (NJ)	31% Increase
Lynne Brick's Womens Only (MD)	Pre-Sale
Bel Air Athletic Club (MD)	20% Increase
PACE Fitness (Australia)	Pre-Sale Sold 2065
Club at Woodbridge (NJ)	32% Increase
Solaris Sports Club (NY)	Pre-Sale
Padonia Fitness Center (MD)	23% Increase
Club Fit (NY)	69% Increase
Spartanburg Athletic Club (SC)	24% Increase
World Gym (NY)	42% Increase
Pinnacle Health Clubs (England)	Pre-Sale
Sportivo Fitness (St. Lucia)	Pre-Sale
Court House Athletic Club (CA)	37% Increase
Ronny Barnes Fitness & Nautilus	29% Increase
Gold Coast Fitness (NJ)	Pre-Sale
Genesis Health & Fitness (KS)	27% Increase
Westside Club (SC)	62% Increase
Maryland Athletic Club (MD)	Expansion
Court Sports I & II (NY)	30% Increase
Shulas Athletic Club (FL)	Expansion
Evanston Athletic Club (IL)	24% Increase
Spa at Fountainbeau (FL)	31% Increase
Gold's Gym (IN)	104% Increase
Sportset (NY)	31% Increase
Welshback Squash & Health Club	40% Increase
Lifestyle Health & Fitness (NC)	58% Increase
Westbay Athletic Club (FL)	Pre-Sale
Millennium Health & Fitness (NC)	32% Increase
Hudson Athletic Club (NJ)	31% Increase
What a Racquet Athletic Club (CA)	27% Increase
Westchester Health & Fitness (NY)	41% Increase
Westlake Sport House (CA)	30% Increase
Apple Athletic Club (ID)	44% Increase
The Ridge (MT)	34% Increase
Gold's Gym (VA)	34% Increase
Sports Club (Sweden)	44% Increase
Gold's Gym (CA)	23% Increase
Gold's Gym (GA)	17% Increase
Gold's Gym (NY)	38% Increase
Vival (England)	Pre-Sale Sold Out
Evolution, Salt Lake City, UT	93% Increase
Sportsclub Simpsonville (SC)	PRESALE
Lakeview Golf Resort & Spa (WV)	34% Increase
Pikecreek Fitness (DE)	37% Increase
Cherry Hill Health & Racquet Club (NJ)	EXPANSION SALE
Better Bodies (KY)	20% Increase
Silverlake Family Center (KY)	42% Increase
The Clubs at Rivercity (IL)	16% Increase
Huntsville Athletic Club (AL)	18% Increase
Towne Athletic Club (OH)	23% Increase
Wimbleton Sportsplex (TN)	16% Increase
Mercy HealthPlex (OH)	56% Increase
Cornerstone Health & Fitness (PA)	28% Increase
Aerofit Health & Fitness (TX)	64% Increase
Premier Athletic Club (NY)	32% Increase

Sportsplex Bethel (CT)	↑↑↑↑↑↑
Sportsplex Stamford (CT)	↑↑↑↑↑↑
Sportsplex New Windsor (NY)	↑↑↑↑↑↑
Mt. Kisco Athletic Club (NY)	↑↑↑↑↑↑
Saw Mill Club (NY)	↑↑↑↑↑↑
Sportclub Greenville (SC)	↑↑↑↑↑↑
Gold's Gym Belleville & Whippany (NJ)	↑↑↑↑↑↑
Spring Valley Tennis and Fitness (PA)	↑↑↑↑↑↑
Memorial Herrman Hospital and Wellness Center (TX)	↑↑↑↑↑↑
Equinox New York (NY)	↑↑↑↑↑↑

This is only a partial list of SALES MAKERS SUCCESSES!

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Universal Athletic Club (PA)	Court South (TN)
Westmoreland Athletic Club (PA)	Creative Health and Fitness (CT)
Matrix Club (CO)	Worcester Fitness (MA)
Jordon Fitness (MA)	Plymouth Athletic Club (MA)
Worcester Athletic Club (MA)	Printing House Fitness (NY)
Club One (PA)	RDV Sportsplex Orlando (FL)
	Lynne Shores Tennis & Conditioning Center (CT)

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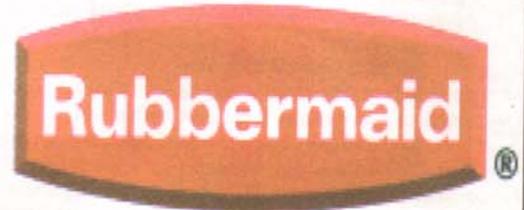
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...Norm's Notes

continued from page 7

Globe announcement of this Salvation Army thrust also noted that this was one of eight such centers planned for the Salvation Army's eastern territory.

• As reported in our Page #31 story, **DON KONZ**, CEO, announced that *The Sport and Health Company*, serving over 80,000 members at 26 sites, has been purchased for \$75 million, including assumed liabilities. Founded in 1973 by Konz, Sport & Health plans "to swiftly and proficiently expand and renovate their existing clubs and to develop new locations so that other communities can take advantage of all that Sport & Health has to offer."

• **AUGIE NIETO**, Chairman of Octane Fitness, the man I call the "Henry Ford of the health and fitness industry," announced a **BIG BASH FUND RAISING** event for ALS to be held on the 22nd of March, at the **IHRSA Convention**. This BASH is gonna be a **HOOT and TONS of FUN!** (See the Bash Ad on our outside

back page this month!) The All-Star Committee listed below is committed to throwing the **biggest party IHRSA has ever seen**. The Bash is a party to raise money for **Augie's Quest, Cure ALS Research Fund**. With special guest **LANCE ARMSTRONG** and entertainment by the **DOOBIE BROTHERS**, over 2,500 high profile fitness industry decision makers will have their ticket to the **hottest party in town**. There will be great food and drinks, and an opportunity to network with all the key players in the fitness industry. The goal is to raise \$2.3 million, which would be an all time record for the MDA. Augie's wife, **LYNN NIETO'S** family, has pledged to match all contributions made to **THE BASH for Augie's Quest** up to one million dollars! Given the fact that the **ALS Augie's Quest** event in Las Vegas in September at the **NFTJ Show** raised \$1,045,091...I think \$2.3 million is an **attainable goal** and I urge you to support this event! Augie's Quest, in conjunction with the **Muscular Dystrophy Association (MDA)**, is an aggressive,

cure-driven, *not-for-profit* association **singularly focused** on treating amyotrophic lateral sclerosis (ALS). The mission is to **cure ALS - Save Lives by Saving Time**. Committee members for the event include: **CHUCK LEVE, BAHRAM AKRADI, PETER BROWN, TONY de LEEDE, DAVID GIAMPAOLO, MARK MASTROV, RON HEMELGARN, JULIE MAIN, JOHN McCARTHY, JOE MOORE, DAVID PATCHELL EVANS, DEBRA SIENA and HARVEY SPEVAK** (See back page).

• **STEPHEN THARRETT**, former IHRSA President, and **JAMES A. PETERSON**, have written an in-depth and information PACKED new book entitled: **Fitness Management...A Comprehensive Resource for Developing, Leading, Managing and Operating a Successful Health/Fitness Club**. Please check out Steve's article on page 20 as our newest **CLUB INSIDER** Contributing Author, entitled: "The **COMMODITY Trap** and How to Escape It!" Contact Steve at: **steve_tharrett@comcast.net**.

• **MIKE MOTTA**, the Founder and President of **Plus One** in New York City, has appointed a world-class **Advisory Board for Plus One**. They are: **DAVID KING**, Managing Director of **Bear Stearns**; **ROBERT E. CAMPBELL**, Chairman of the Board of **Johnson & Johnson**; **DAVID FAIRCHILD**, Chairman of General Medicine at **Tufts-New England Medical Center**; **PATTY FREEDSON**, Professor of Exercise Science at the **University of Massachusetts**; **MICHAEL O'DONNELL**, Editor-in-Chief of the **American Journal of Health Promotion**; and **LINDA STROHMEYER**, former Vice-President of Human Capital Management at **Goldman Sachs**.

• **JERRY NOYCE's Health and Fitness Corporation** has announced a definitive agreement to acquire Dallas, Texas-based **HealthCalc** whose web-based platform provides customers with a variety of tools and resources to identify opportunities to impact health care costs through lifestyle improvement programs for individuals.

• **TIM RICHARDS**,

my good friend, **IHRSA Co-founder** and long time very successful owner of the 75,000 square-foot **Orchard Hills Athletic Club** in Lancaster, MA., is also the **Founder of the Boys and Girls Club of North Central Massachusetts**. Recently, Tim was honored for his years of charitable community work by **Fitchberg State University** with its **Presidents Medal**. **CONGRATULATIONS TIM! (And, SHEILA!)**

• **Healthtrax International** was named by the **Employers Association of the Northeast (EANE)**, as the organization's "Employer of the Year." Healthtrax International, founded and led by **KEN NAVARRO** and **BOB STAUBLE**, owns and operates 15 community wellness centers and 22 industrial **Work-Fit Centers**. The company employs 950 people. **Congratulations Ken and Bob!**

• **CONGRATULATIONS** to **W.I.T.S.' JAY DELVECHIO** as he has been promoted to **CEO and President** of the **World Instructor Training Schools** (See Norm's Notes page 33)

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...Pete Kight

continued from page 3

tronically in numerous other industries, and has grown CheckFree into a business that today processes over \$1 billion in electronic transactions every night. To say that CheckFree Corporation is the global leader in financial electronic commerce is no exaggeration.

I am very pleased to file this report containing the following in-depth interview with pioneer Peter Kight.

However, before we roll into this very interesting interview with Pete, let me say this to you all. If you are a club owner who is now processing your own monthly dues collections or if you have not yet converted to electronic collections, you are fortunate to be reading this.

That's because Kight's interview illuminates the importance of not only CheckFree's work in our industry, but the importance of the work of other leading financial service companies such as **CLUB INSIDER** advertisers: **Affiliated Acceptance Corporation**, led by my friend, Sid Nelson, (see their ad on page #9) and **Jim Bottin's ABC Financial Services**, led by my friend, Paul Schaller (see their ad page #11).

If your club is struggling with the many complicated chores associated with membership dues collections, financial management operations and other club financial services needs, you need to consider making a change today. You need to contact CheckFree, Affiliated Acceptance Corporation and ABC Financial Services today, to find out which of these great companies fits your club's needs best. Don't wait. Do it today!

Above all folks...don't keep trying to do this work in house by yourself. You potentially lose hundreds of thousands of dollars, if not millions, through mismanagement when you trust someone that is not qualified to take over your club's crucial collections operations. *Find the solution from the financial pros and find it fast.* By employing the services of these pros, in less than one year's time, you can change your club's collections and business financial management more significantly than you will ever imagine.

Let me add one more comment. CheckFree has an entire department and team dedicated to dealing with government matters and legislators. And, as we all know...the government could...in one fell swoop, change things enormously for the health club industry if they start messing with EFT dues collections. In fact, CheckFree invests time and resources to educate legislators and their staffers on the potential impact of various proposals to help preserve and protect health club electronic and other financial services from legislation that could be costly to the industry and not necessarily protect consumers as intended. *In essence, CheckFree, through these governmental efforts, works for all health, racquet and sports clubs across America to keep the cash flowing and club businesses financially healthy regardless of if the clubs are CheckFree customers or not. In short, CheckFree's leadership commitment and management philosophy extends far beyond market share.*

An Interview With Pete Kight - CheckFree Founder, Chairman and CEO

Q. - What were you doing prior to 25 years ago and how did the original CheckFree idea come about?

Kight - "I was a track athlete in college, competing in the Decathlon. After college, I had become editor of a fitness magazine. From that background, I became involved in management of some Nautilus clubs in Northern California. In those days health clubs did not charge monthly dues, but instead charged annual fees. In our case we charged \$255 per year. One day I had a conversation with a life insurance person who was working out in the club, and mentioned they were collecting premiums from customers electronically. As soon as they described it to me I had a true epiphany. I decided I was going to change my Nautilus clubs to monthly electronic dues collections. The life insurance people I met with told me, 'Oh no, no, no... it's not that easy! It is a very complicated thing to do.' But, I wasn't listening. I thought, 'No, this is exactly what I want to do.' It turned out to be very difficult to do. The banks told me they weren't

interested in doing what would be required to use the Federal Banking System to collect funds for businesses like health clubs. So, I made the decision to do it and began the work necessary to make it happen. I can remember the numbers. I eliminated our \$255 annual fee and set my clubs up with \$12.95 per month with a \$75 initiation fee. Within seven months, the membership and monthly fees collected electronically had built up to the point where we were basically profitable by the first week of the month.

Editor's note: Rick Caro, the Founder of IHRSA and President of Management Vision, Inc. in New York City, and a 33-year industry veteran, made a powerful statement about EFT in a CBI (IHRSA's Club Business International) article interview last year. In response to the question, "What do you think is the single most important development in the industry over the last 25 years?," Caro said, "The concept of electronic funds transfer (EFT). It's made it easier for people to join clubs by breaking down the fee, and the commitment to join, into monthly installments, and by offering the option to cancel at any time."

Q. - Pete, this experience dealing with positioning the banks to work with you must have taught you a lot about dealing with the government and the Federal Reserve Bank System. I noticed your website information with respect to all of the governmental relations CheckFree does, not only for CheckFree, but for the entire health club industry.

Kight - There is no question that consumers in the United States today know more about their financial matters and have more privacy, security, accessibility and control over their finances than ever before. Also, businesses benefit greatly from technology because we've given them instant access to data confirming good or bad collections. Years ago, we all waited until the bank mailed us the statements after the end of the month. Now, we can hit the button and see exactly what the results are that day. So, we at CheckFree are working very hard every day to educate legislators on the advantages of electronic financial transactions, and making sure they understand the impact of legislation before they legislate.

Club Insider - That's great to hear and I would argue that CheckFree's efforts in dealing with the government's legislation helps all health club financial service providers, and all health club operators across America, CheckFree customers or not.

Kight - Don't rub it in...that we're helping our competitors too! But, that's of course part of the leadership responsibility in our field, and we are glad to be able to do it for CheckFree and others as well.

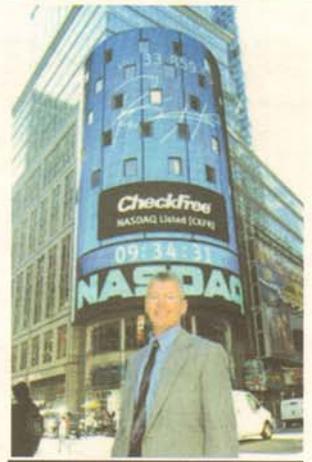
Q. - How did you overcome consumer fear of a company having access to an individual's bank account?

Kight - I think the experience we gained in the health club business has really helped all of CheckFree. When I was first getting started I was going door-to-door in my apartment complex and face-to-face with consumers. I learned very early to think like a consumer. For example, we learned to use terms they could understand, such as, "Your bank will charge your account," which was more easily accepted because consumers trusted their banks. We learned to design the form so the club's name would appear on the statement. We charged consumer accounts on the third of the month instead of the first of the month, which made a difference to members who wanted to make sure their paycheck had cleared. We thought like a consumer and studied how to get the consumer very comfortable with it. Originally, and for a long time along the way, the banks did not want to work with us. Over time we were able to convince them, but it wasn't easy.

Dick Mitchell's RCM Systems Was An Early CheckFree Acquisition

Q. - I recall that Dick Mitchell and his RCM Systems was already in the club industry. How did you learn of Dick's company?

Kight - Yes, Dick was in the business before we were. His business originally was purely in software and we were in EFT. When EFT had become the industry standard, we had the opportunity to look upstream and see how we could increase the value of what we were offering along with our electronic funds transfer services. We obviously ended up at the club's



Pete Knight in New York City to Celebrate CheckFree's New NASDAQ 100 STATUS

front desk where data was being input. We had a vision and the idea that we could integrate the data input into Dick's RCM Management Systems because we had to collect the data for EFT in the home grown financial collection system anyway. So, we integrated our products and eventually acquired RCM Systems in 1992. This is something I think surprised John McCarthy when I brought it up, that we literally founded CheckFree on the opportunities we found in 1982 at the first IHRSA Convention and Trade Show at the Tropicana in Las Vegas. I had signed some apartment complexes up for EFT in exchange for the use of their table top computer. But, that was just a way to be able to afford to have access to the computer. The actual business started because I had the opportunity to attend the first IHRSA Convention as a speaker. In exchange for making a presentation on this technology (that nobody knew anything about), I got a mailing list of attendees. To make the mailing list more valuable I bought a small handheld recorder from RadioShack and during the IHRSA Trade Show, when people were walking around looking at equipment, I walked around and read their name tags into my little recorder. I think they threatened to throw me off the floor a couple of times thinking I was some kind of weirdo walking around saying names into my recorder. But these recorded names gave me the ability to go back to the office and match the names with the club mailing addresses so I was able to mail out to a person rather than just to the attention of the club. We

(See Pete Kight page 12)

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...Pete Kight

continued from page 10

ended up getting a 38% response to that first mailing to that first IHRSA group and we were off and running!

Q. - Do you remember how much your payment was on that first computer?

Kight- Well, when I started I had very little money. I had \$777 to my name and I was trying to reserve some of that for food. In order to lease the computer I put my CheckFree System on the computer for two apartment management companies to collect their rent. I was only allowed to use the computer at night when they weren't using it. So, I hired a computer programmer out of Ohio State who would work with me at night from 9 p.m. until about 4 a.m. During the evenings, I

would go door-to-door at the apartment complexes and would talk to people and get them to sign authorization forms to collect their rent. During the night I would do the data entry for the apartment complexes as we signed up people. So, I would say that first year's rent on the desktop computer was pretty darned expensive - it was the first year of my business life! But, it worked, I didn't have to spend much cash and it gave us the ability to keep going.

CLUB INSIDER- That was an amazing start. Now, to think that you manage \$1.2 trillion in assets in one division alone is mind boggling. Is that correct? What a great American entrepreneurial success story!

Kight- Yes, we manage about \$1.2 trillion in assets through our Investment Services division, and every night in elec-

tronic transactions we move between \$1 and \$3 billion.

Q.- Did you have to take on banks both as processors of your services and as competitors, and if so, how did you survive that challenge?

Kight- There have been three types of relationships with banks over the years. Originally, the banks wanted to be processors and to be in the business we're in. Periodically, they would come in and go out of the business. We actually competed with them as processors, and they, of course, at various times, had been processors for us. At any given time we have any number of banks that we have relationships with in which the banks themselves are acting as processors for us. Then, of course as you know today, the majority of the banks in the country that offer home banking

services are actually offering CheckFree's back-ends when they offer electronic billing and payment services to their customers. So, today the banks are our biggest customers...our biggest clients, given that we run the majority of the electronic billing and payment services for the U.S. banks. It's a very complex relationship with that industry.

Q.- Was there a time when there was doubt in your mind that you were going to get the banks to go along?

Kight- There were two peaks during which we really had to work hard in order to overcome the banks threat to be competitors. Twice over the past 20 years the banks actually formed consortiums where a number of the major banks joined to work together to build a competitor to CheckFree. Twice those became hundred million dollar competitors to CheckFree. Those times, when our own competitors had formed consortiums to compete against us, they included names like CitiCorp, Bank of America, Wells Fargo, Chase Manhattan...those were daunting names to face every morning when they are both your competitors and your biggest customers. Ultimately, what won out was that the banks realized the most important thing they needed to have was the best service for their consumer retail banking business. We were fortunate to be able to continue to innovate and do a good job, and we were able to convince the retail side of the banks that we were a better supplier. Ultimately we won, but there were more than a few sleepless nights.

Q.- How did you grow the company (# of employees, revenues, etc.) and were there any particular industries you focused on?

Kight- There have been a number of things we've done to grow the company. The health and fitness industry rapidly adopted EFT and that's been a great industry for us from the very beginning. But, then, the bigger industries are more complex and more bureaucratic. Many other industries you'd think would be advanced in electronic financial transactions are far behind where the health and fitness industry has gone. Industries like utilities, even sophisticated utilities, like telecom and cellular, were much slower in the decision-making process. That's what led us

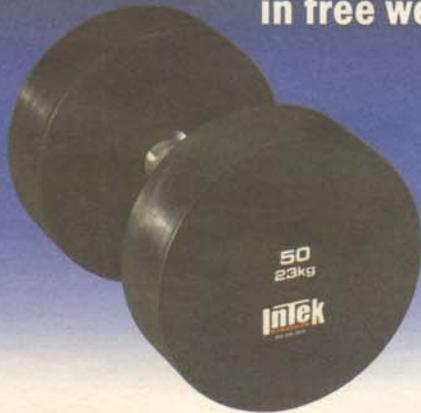
early on to go to the consumer. We built a direct, consumer-initiated electronic bill payment system that we served inside software. We integrated into software such as Quicken, Microsoft Money and we had our own software. That's what really got the banks' attention. While we've competed with the banks at times over the years, ultimately we have become a primary supplier to the banks in the U.S. Of course, the fastest growth has been in being the primary supplier of internet banking and bill payment for the actual banks themselves.

Over the years, as we've continued to grow, we've made a number of acquisitions. We've made more than 20 strategic acquisitions since we went public. (NASDAQ-1995) We just paid \$100 million for one of the leading providers of what is called "Emergency Bill Payments". That is a bill payment system that's actually connected to the biller. For example, when someone is behind on their utility payments and the utility actually has shown up at the front door and they're going to shut off the power, you can use this emergency bill payment system on the phone or on your PC and make a payment right there while the workman is standing at your door. They will take that payment, settle with the utility, send a notice to the truck and tell the worker, "Don't make the disconnection."

Acquisitions have helped CheckFree's growth over the years. Also, we've expanded internationally. International expansion has been an area, particularly in our software division, that's really been driven more by our customers as they've become more international. One of the big acquisitions after going public was SSI, which actually led to us moving our headquarters to Atlanta. We acquired SSI because the company created the ACH Software that runs the electronic funds transfer system. We thought that was a tremendously powerful way to own and control quality. It is the underlying technology that runs the electronic funds transfer system in the U.S. Eighty percent of the U.S. banks use our software to run their own electronic transfer systems.

Q. - What were some of the other strategic acquisitions?
Kight- The definition of "sleepless night" was the day
 (See Pete Kight page 14)

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...Pete Kight

continued from page 12

that Microsoft and First Data, the world's largest credit card processor, and Citicorp, the world's largest bank, announced that they had formed a joint venture together to compete against CheckFree. That's when you ask, "How much more difficult can life be when Bill Gates takes on partners to decide to compete against you?" About two years after they formed that joint venture, we acquired their joint venture. They had piled up on us, but ultimately they sold out to us. So, it's been a combination of acquisitions to grow as well as acquisitions to consolidate.

CLUB INSIDER - Pete, you've done a great job of keeping all

of your hair!

Kight - (Laughs) It's turned gray, but I've kept most of it!

Q. - I would imagine the list is long, but for our club owner readers who have not taken the all important step to EFT collections, what would you tell them the advantages for their clubs are for EFT?

Kight - We believe that in every key facet of business, digital efficiency beats paper. If you look at why, not just in the United States, but globally, paper is coming out of the financial services system. It is because: 1) it is less costly; 2) it gives better control; 3) it is more accurate; 4) it provides better record keeping; 5) it is easier to correct; 6) it provides more efficient funds flow and 7) ultimately, it is a better environ-

mental process. It doesn't involve killing trees, burning gas to ship it and store it. In every aspect, it is better. The only negatives are for the post office. And, it's a negative for the organizations who made money on people's "float". It's a negative for software accounting companies who used to sell you software to help you keep track of all that paper. But, for all the rest of us...it's all positive. What really happens is that companies have a much better understanding of what their cash flow is going to be and exactly when their cash is going to arrive. It removes a lot of doubt from the system, including if the consumer isn't going to pay because they simply don't have the money. Instead of having to wait over an extended period of time to see if the person is going to pay, what an electronic transaction will tell the business is that funds are insufficient...this customer is not going to pay until you do something else. So, in every part of the transaction the business benefits. Originally, the reason why there was early consumer resistance was that electronic funds transfer would take the funds faster. What happened is business recognized we get the money so much more efficiently we no longer need to collect on the 1st of the month. We'll give the consumer the extra days, until the 3rd or the 4th or the 5th. We'll give the consumer extra days because we know we get the money very efficiently on collection day.

Q. - When did you take CheckFree public and how big is it today? Is CheckFree #1 in its field?

Kight - We went public in 1995 and today we have a little bit over \$4 billion in market capitalization. We did about \$750 million in revenues over the last fiscal year. Right now globally, we're the market leader in what we call financial electronic commerce, we're number one in the United States in an investment services technology market, which is one of our other divisions. We're either #1 or #2 globally in the financial software categories that we operate in. It's the software area that we're working the hardest to improve our market share in today. We have #2 competitors in different parts in each of those markets and they vary in size. I would say in all of those cases, the #2 competitor is not



Pete Kight (center) Celebrating CheckFree's NASDAQ 100 Announcement With Officials

close in market share. We have some separation.

Q. - Where does the role of online bill paying figure in the future?

Kight - We clearly believe that electronic billing and payment, even as we speak, is extending out to more of a service. I will tell you that is one of the reasons that we acquired Aphelion and it's one of the directions that we're heading in expanding the technology platform for the health and fitness industry. What comes after electronic billing and payment is the statement that is electronically sent to a consumer to replace the old paper bill. Once that takes place, you literally have a whole new interactive opportunity to be able to communicate and provide services to a consumer. What we're working on now is to turn what used to be a billing statement into an electronic service platform, so when a consumer looks at his bill online he really thinks of looking at his relationship with the club. They can use that opportunity to view their statement and press a button and increase membership level from one that delivers a certain level of service for "X" dollars to a higher level of service for more dollars. Instead of doing direct mailing or telephone marketing, instead of all the other less efficient ways of building customer relationships, you literally can use an electronic statement to become a service interface. Suppose the customer has a question: How many times did I use the facility? Do I have a court reserved? Do I have a space in the next class reserved? He doesn't have to call and spend time talking to someone. He can simply call up his electronic statement and have access to all that information online. Our view is we really think the

bill is transforming from, "Here is how much you owe us," to, "Here is what your relationship with us...would you like to increase it?"

Q. - What are the future "upsides" for CheckFree...I mean, how to top what you've already achieved?

Kight - When you look at the really big picture, what's happening globally is financial standards and reporting requirements have increased dramatically. Everybody has read about Sarbanes-Oxley and all the new accounting and reporting standards and the importance that all has. Of course, to the financial services industry and to the financial side of business, that's just tremendously more important. You don't have to be a public company. If you're a health club owner and you want to borrow money, the fact is the bank wants to see much more accurate, much more up-to-date accounting information. They want to see better records, they want to see how effective your control over your financial systems actually is. The requirements and the standards have simply grown up globally for us. That's a good thing because we're in the business of taking this last generation of paper on the financial side of commerce and replacing it with digital efficiency. Whether it's eliminating paper checks and paper payments, or whether it's the back end of accounting where we sell software or the whole back end of the investment services infrastructure, where we sell electronic transaction services on a global basis, we really have a great opportunity over the next several years. It's really the final generation of paper coming out of the global financial services system.

(See Pete Kight page 16)

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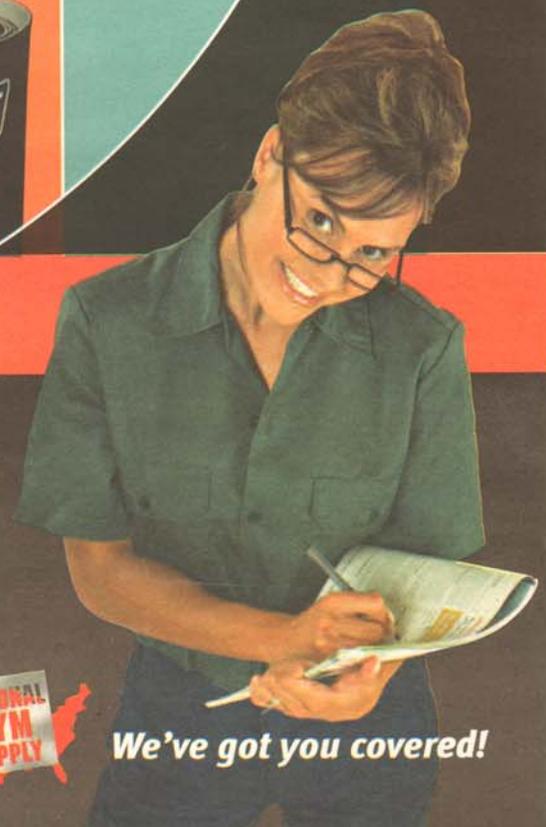
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...Pete Kight

continued from page 14

Q- We've talked about dealing with the government and legislators and the regulatory burden. Besides the governmental challenges, what other challenges do you see for CheckFree?

Kight- For those of us with the responsibility to operate in the financial services system, I think you will see the regulatory burden go up even more. We also have a need to improve the way financial systems work for consumers and businesses.

One of our other big challenges is learning how to grow and operate effectively as an international company. We're selling more software internationally. The Aphelion acquisition gives us an international presence that is increasing. We now have multiple locations outside the U.S. It is definitely a big issue for us to learn how to work within the financial service systems of other countries.

I would say an ongoing issue for us is to continue to implement our Six Sigma program. Historically, Six Sigma was pioneered for manufacturing by GE and Motorola. Put simply, it's a methodology used to measure and improve quality. Once we started moving more than \$1 billion per night, we realized you can't just keep "working hard" to maintain

Q- When a new club developer/future owner or an existing club owner/operator is considering coming into the EFT marketplace when they have not been there, what can they expect to see from CheckFree?

Kight- At the highest level, the first thing that we'd do is make sure the business owner has the same vision that we do. It is much easier to do today than it was when we started back in 1981. It was the constant mantra that we preached to the industry and that is *to have a vision of being successful over the long-term*. It is really difficult as a club owner to not want to get that \$200 in cash in your hands right when that customer walks in the door. It's pretty hard when you haven't made money yet and you've borrowed money for this latest round of Cybex and this latest round of Lifecycles. If you can resist grabbing that cash and you put your customers in a position of simply paying an initiation fee and signing up for a transaction that disappears into the monthly household budget cycle, what you will be building in EFT receivables will pay you back multiple-fold over the business that is collecting cash up front. We want the business owner to extend the vision (and the question) of what kind of business they want to run and how long they want to be successful. Our greatest success is with people

that will allow them to continue to commit to a larger level of service with your club.

One of the things you will see us introduce with Aphelion is the first of a stage of multi-million dollar investment in the next generation of technology we think the health and fitness club industry should have. It's a big commitment for us. It's a platform upon which we're going to increase our investment. In a lot of industries there is this buzzword called "relationship contact management". We really believe that once a consumer joins a club, once that information gets into that management information system, we should be able to do more than just collect the revenues for that club. We want the club to be able to use this connectivity to their consumer to be able to manage the relationship with the consumer so it helps keep track of the consumer and what they use in the club. Based on that information, in the future our system ought to be able to give you a better grasp of what that customer might want to do initially. If they use this class, will they be interested in an additional class? If they use this kind of workout approach, would they be interested in an enhanced approach? If they use a certain type workout, would additional training advice and service be for them? And, we want to provide the ability for the consumer to use that electronic connectivity, not just to review their bill and how much they owe, but: "Here is your relationship with us...would you like to increase your club involvement?" We want clubs to be able to use that connectivity to be able to send information from the consumer interactively back to the club. We think EFT is the beginning of the consumer relationship capability that is really going to allow the club owner to fully utilize the interactive nature of what Internet technology provides to a lot of other industries.

The "Club Owner's Promised Land!"

CLUB INSIDER - "Pete I believe, although I don't think you realized it then, you began back in the 1970's, to fight a health club "cultural battle," if you will. That battle being: "How to operate a health, racquet or sports club a new way...a way where up front

money is not the goal but instead, building a club's monthly cash flow by growing and collecting monthly receivables through EFT is."

I call the end result of this effort: "**The promised land.**" My definition of that "Promised land" for health club owners is a point in time when your club's electronic funds transfer is collected each month and it pays all the bills...the rent or debt service on your building...the payroll...the taxes...the utilities...the cost of goods for anything sold in the club, the repairs and maintenance...the advertising costs, etc.. And, beginning on that very same day, every new membership sale, every ancillary income dollar, every renewal dollar, every penny...goes directly to the bottom line. **Ah... "The Promised Land" for health club owner/ operators to seek!**

So Pete, sure this article is about the great CheckFree entrepreneurial experience you've had and the really amazing success of your company, CheckFree. But, it also is about the successes Affiliated Acceptance Corporation and ABC Financial Services and other financial service companies in our industry have had helping their customers grow EFT. You've led the way extremely well. But, your work has clearly, without a single doubt in my mind, helped the entire health, racquet and sportsclub industry."

Kight- I think that's right. It's understandable because in those days the hard-selling, cash up front sales were the only way most clubs had to make money. The great advantage I had was I was ignorant. I was new to the health club industry. I didn't know that you need to fire your customer every year and make him "re-up". It's what I refer to now as "positive ignorance". I came in ignorant enough about what I didn't know. I later turned that to my advantage. There is no question about it, there was some ignorance involved in how I got started.

CLUB INSIDER - You mentioned earlier a number of industries that are in the EFT world now.

Kight- I'll give you an example of one that is really fascinating. When you think about the health club industry and the way the industry has been viewed by the outside world, the banks, the

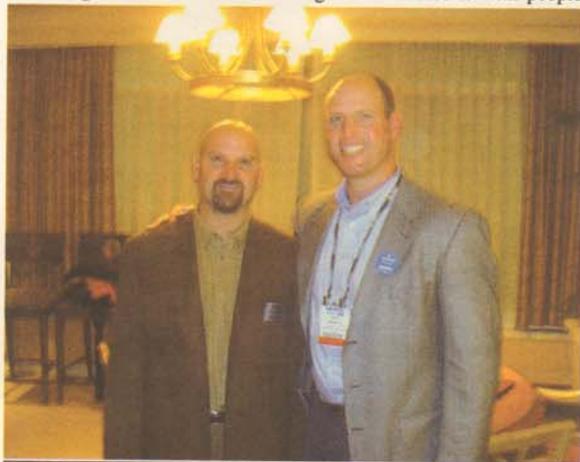
financial services industry, we've all worked long and hard to build a level of credibility where we have public companies in the health and fitness club industry today. And, we have much greater respect. But in fact, twenty years ago this industry didn't have the level of respect that it has today.

Think about this. The health and fitness club industry fully embraced electronic funds transfers as we began introducing it. It was after that, after the health and fitness industry fully embraced and began to standardize around EFT, that CheckFree signed up CompuServe. CompuServe was the first company that sold local connectivity for your PC so you could communicate with other PC owners and their data bases, using your home PC. CompuServe and a company called Quantum had this idea that you could use your PC connected to an online interface and be able to use the PC out of the home to connect to each other. But, CompuServe and Quantum had not been able to collect fees for it. So, they had not gone anywhere. When they got with CheckFree and began to collect EFT, they began to find more consumers. CompuServe ultimately grew to 300,000 customers. Quantum changed its name to America Online. Ultimately, they were joined with a number of other service providers, and the Internet was born.

I will tell you that the health and fitness club industry first proved the EFT technology that actually, to a great degree, got the Internet started. If it hadn't been for CompuServe and AOL being able to collect using the same technology that the health and fitness first standardized, there wouldn't have been anybody around to begin the Internet.

Q- Pete, reflecting back on your amazing 25 years of leading this industry with CheckFree, what are you most proud of?

Kight- There are a lot of things that we are proud of at CheckFree. From my standpoint, I would have to say that nothing affects me as much as having been able to see so many associates at CheckFree to be able to grow their professional careers. What we have is 3,000 or more associates here at CheckFree and we have a lot of people that have been with us (See Pete Kight page 18)



Ron Poliseno (L) and Matt McKernan

high quality. We have to run well beyond the definition of "working hard". We must have a specific definition. We're now moving between \$1 and \$3 billion per night and it is accelerating. So, the issue is you simply have to eliminate mistakes. That's going to be an ongoing, self-imposed challenge that we will continue to meet.

that want to have a long, successful business, not a "quick-hit." If they look long-term, then we're in a position to talk to them about not just taking the cash up front, but getting a bigger base of customers that are paying you consistently every single month. And, as they pay you consistently, let's continue to put in front of them technolo-

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Company Background

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Additional References

Goodlife Fitness Clubs • Lifestyle Family Fitness • WOW! WorkOut World Spectrum Clubs • XSport Fitness California Fitness • Next Generation YMCA San Antonio • Fit For Life Centers Gold's Gym • Reaction Fitness Apex Fitness Group

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...Pete Kight

continued from page 16

for more than 20 years. I think some of our people came in believing they didn't have a hope of landing a long-term job. They were just looking for an immediate job. Over the years they have grown and prospered and increased their skills. We've provided everything from every day training to CheckFree University, where once a year we pool our resources and provide people with management and leader-



Team CheckFree at IHRSA San Francisco

ship training, to help them grow. We have a lot of people here who have come in at entry level or clerical positions that have bought houses and sent kids to college from what they've learned here. **I think I am most proud of the number of great people that we've really been able to help create professional careers.**

Q.- If there is a reader out there that is now trying to do their own EFTcollections processes or someone that is new to this industry and just getting started, what would you say to them about getting on board with professional EFT collections?

Kight- I would again restate my previous statement. I would say: "Ask yourself, do you really want to be successful over the long-term? If you will look at the long-term, it is your revenue stream and your customer relationship that CheckFree is talking about. Is it more important to build a long-term revenue stream or to try to shave \$50 off the management cost of all of that?"

Or, would you rather have your organization partnered with a global leader who sets the standard for quality in the U.S. banking system, who

runs the software at the very bank in which you deposit your club's revenues, owns the health club industry's leading management systems and is dedicated to create the electronic funds systems of the future? Our focus is if you want to be successful over the long-term. Or, if you're a new health club operator that just wants to survive this first year...you should know, I understand. I lived in my grandmother's basement so that I could survive the first year. But, I also lived in my grandmother's basement so that

I could afford paying for technology that would really serve me over the long run. I could have afforded to live in a nicer apartment and saved on other things, but I might not be here today. So, I understand what it's like to try to focus on saving every penny for survival your first year. But, we really want to try to get even new owners to understand we want you to be in this for the long run...and, we'll be there for you.

CLUB INSIDER- I think, after reading your CheckFree Code of Business Conduct Statement, there is an important message for our industry there. I write these words because of things I have reported on in the past, an article I once published about the dangers of the loss of EFT, written by World Gym CEO, Mike Uretz, the current industry "black eye" of the Class Action lawsuit in Northern California against 24 Hour Fitness about collection issues and my concerns for our industry in total. There is a huge need in our industry for strong protection of EFT from potentially industry damaging (and even destroying) government legislation actions. I am going to quote the CheckFree Code of Business

Conduct verbatim from your website where I discovered this writing in your Governance Documents while doing pre-interview research on you and CheckFree Corporation. In my opinion, any club owner would do well to borrow your Code of Business Conduct statement and adapt and use it for all operations at their club.

CheckFree Code of Business Conduct

CheckFree Corporation operates its business in accordance with the highest ethical standards and relevant laws, and places the highest value on the integrity of each of its directors, officers and associates. The Code covers a wide range of business practices and procedures that flow from CheckFree's commitment to ethical business conduct, and it applies to all of our associates and officers, and, as noted, to the members of our Board of Directors. The Code cannot, however, cover all circumstances in which you might be faced with an ethical business decision. Instead the Code is meant as a guide to inform you of the types of ethical business CheckFree expects. Everyone at CheckFree is expected to conduct themselves in accordance with the highest ethical standards and to be informed enough about the principles set forth in the Code to either know the right way to act or to know to consult with a higher authority.

Q.- Pete, would you please comment on CheckFree's Code of Business Conduct?

Kight- Sure. It's easy to just write down words to create sentences and say, "O.K. I've covered Code of Conduct, print it out and hand it out to employees. As you and I have discussed, we don't just believe that. We wanted to be in the business for the long run. We knew from the beginning that we wanted to change this system for the better. We wanted to automate it and we knew from the beginning that we wanted to be in it from the long run. So, the Code of Conduct simply made sense. That's who we wanted to be and it describes the kind of people we wanted to do business with. And, if you're in this for the long run you're going to come across the same people over and over again. It

really is genuinely a small world. *Word of mouth, the fact that the experiences customers really have is literally six-fold more important than what you say you're going to do for your customers...all those things really are true. Without question in the long run, your Code of Conduct is going to represent what your business really is in the community. So, my belief is it isn't only the right thing to do, it will pay you back many times over in the long run.* The way to do it is to simply commit to it from the beginning. The truth is it doesn't cost you a dime.

Q.- Pete, to close this really informative and amazing interview, I would like to revisit your comments to me about IHRSA when I first walked into your office today.

Pete Kight- Unprompted by you when you came in, I re-introduced myself, having met you years ago at the first IHRSA Convention (1982). As we've gotten more and more involved in many different industries globally we've also become involved with very sophisticated industry associations such as the American Bankers Association, the International Bankers Association, the Securities Dealers Association, the Investment Industry Association... that serve these truly trillion dollar industries.

Consistently, out of all of the other industries and industry associations we deal with, IHRSA has consistently been the best run. I will mention specifically, even though I don't know him well personally, John McCarthy is the best industry leader that I've seen over the years. I find it amazing to find that when I return from one of these big banking conferences and compare it to IHRSA, I often say to our team, "I think IHRSA and its IHRSA Conference and Trade Show is the best run show that we sponsor." Don't tell the banking conferences that, but it is the truth.

CLUB INSIDER- I already commented on what a pleasure it has been for me to get to know and work with Matt McKernan and Ron Polisenno over the years. In closing here I want to compliment all of your Health and Fitness Division people I've had the pleasure of working with, especially two guys I've really gotten to know over the

years, my friends, *Scottie Manion and Barry Bleurer. Your people are terrific and they're always energetic and upbeat. And, as you mentioned in your interview, they ARE people to be very proud of!*

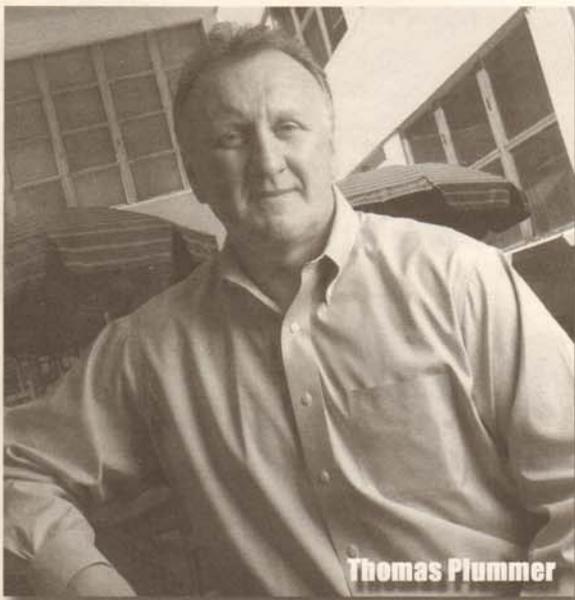
Pete Kight- The really fun part is finding people who are good at business and also really believe in the health and fitness club industry. You can't fake that. You can't take a person who just wants to sell, but doesn't really care about the industry and expect them to succeed, especially, in the health and fitness club industry. The club owners see through that. When I gave Matt McKernan the leadership role for the Health and Fitness business I told him, "Because you understand the health and fitness industry you are a good fit here." There are some other great business leaders I have here who wouldn't necessarily have been as good a fit. The club industry people have a feel for who believes in the industry and who doesn't really care. Our CheckFree Health and Fitness Division Team is made up of people who care about the industry and that makes it fun.

Author's Note: I want to thank Peter Kight for this terrifically illuminating interview. I'd like to also thank Matt McKernan, Ron Polisenno, Scottie Manion, Barry Bleurer, Robin Hollis, Michelle Young and Merrick Theobald for their assistance and support over the years.

(Norm Cates, Jr. is a 32-year veteran of the health, racquet and sports club industry. Cates was the Founder and the 13+ year Publisher of CLUB INSIDER. He was IHRSA's 1st President and a Co-founder of the Association in 1981. In March, 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, one of IHRSA's highest honors. Cates may be reached at: 770.850.8506 or email: www.clubinsidernews.com)

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North Columbus Athletic Club

-Thomas Plummer is very fun and inspirational, the information is top notch, and I just enjoy being around other gym owners for 2 days.

Ken Laurie
World Gym Express

-I look forward to attending and sending my staff to a Plummer seminar every year. I take something back each time that will help take my business to the next level.

Mike Shirley
Double Diamond Athletic Club

The Commodity Trap and How to Escape It!

Stephen J. Tharrett, M.S. and James Peterson, Ph.D., FACSM

Overview and Perspective

At one time or another, everyone has experienced the trappings of a commodity-based economy, such as price wars, deep discounts, free financing, no payments for a year, the "going out of business" sign, and of course, the "everything looks the same" model. In reality, commoditization has been around for decades, given the fact that it is a natural occurrence of a maturing industry. In fact, commoditization has been the primary economic engine for the growth of businesses worldwide. Companies such as Wal-Mart, Home Depot, McDonald's, Best Buy and

Toyota, among others have all prospered as a result of commoditization. Concurrently, numerous companies, both on the national level (e.g. K-Mart, American Motors, etc.) and local level (e.g. community-based stores in such endeavors as hardware stores, grocery stores, etc.) have experienced bankruptcy or significant financial challenges as a result of commoditization.

The model of commoditization is built on the concept that by mass producing products and services at a low cost and making them easily accessible to consumers at a relatively low price, a business can gain significant market share

and eventually considerable profit. Furthermore, the more efficient a company's level of mass production, the lower its production costs, and the lower the price point for the consumer.

Over time, however, the competitive forces inherent in commoditization cause the commodities within a particular market segment to look the same, with the only differentiation being price. Once price becomes the means by which a product or service is differentiated, then low price becomes the primary market differentiator. Typically, a commodity-based industry evolves to a point where it is characterized by several attributes, including the consolidation of the industry into a few dominant players; the closing of many small and medium-sized businesses; an overall lack of growth and profitability for the remaining businesses in the industry, including the large dominant players, and perhaps most importantly, a lack of choice for consumers. Eventually, a commodity-based industry will not flourish unless a portion of that industry moves toward another business model, an experience-based model that establishes a new value equation for the consumer and creates market differentiation based on something other than price.

Over the past thirty years, the fitness, health and sport club industry has evolved from being a small business, entrepreneurial-based model, into an industry that is being driven by the forces of a commodity-based economic model. Just fifteen years ago, only a handful of club companies existed that could be called commodity-based, e.g., Bally's and 24-Hour Fitness. In 2005, nearly fifty percent of the health/fitness club industry is competing on a commodity platform. In addition to Bally's and 24-Hour Fitness, companies such as LA Fitness, Lifetime Fitness, Town Sports International, Gold's, Curves, X-Sport Fitness, Spectrum Clubs, Planet Fitness, etc. are competing in the commodity arena. Even on an international basis, companies such as Fitness First, LA Fitness and others compete on a commodity platform. Inherently, nothing is

wrong with this approach, except for the previously detailed scenario that having so many companies competing on the same platform eventually results in discounts, price wars, overcrowding, consolidation, lack of consumer choice, a stagnant industry and numerous club operators going out of business. In fact, in recent years, the industry has experienced many of the upsides of a commodity platform, for example Lifetime Fitness's successful IPO, the sale of 24-Hour Fitness for approximately \$1.6 billion, the sale of Fitness First for close to \$1.5 billion, the announced sale of Equinox for approximately \$500 million, the explosive growth of Curves, and the continued growth of regional players such as X-Sport, TSI and Lifestyle Family Fitness clubs.

Concurrently, in addition to the aforementioned commodity-success stories, the industry is also beginning to experience some of the downsides of a commodity-based approach (for example, no initiation fees, dues of \$19 to \$39 a month, buy-one-get-one-free promotions, overcrowding of clubs, and membership cannibalism between competitors). Such symptoms of commoditization are causing some significant problems in the industry, including many small independent clubs either closing or having to sell to the big players at lower than desired multiples; consolidation and creation of even more dominant players; financial difficulties and discounted sales for companies that once prospered and finally, an oversupply of clubs for the market, resulting in a loss in membership growth, profit margins and profitability for everyone.

The industry now faces a challenge that can either become an incredible opportunity for growth or a barrier to growth. The industry must foster an environment in which clubs begin offering a new business model that is unique, innovative and different than the commodity platform which can't be stopped and should not be stopped. What must happen is, however, is that independent and entrepreneurial operators must begin moving toward an experienced-based model of



Stephen Tharrett

doing business, one that will allow for considerable market differentiation, thereby opening up the industry to a larger audience of consumers. By doing this, clubs will be established that compete not on price and quantity, but on their ability to create a uniquely personal experience, one where value is not driven by price but by the ability of the consumer to receive a personal and enriching club experience. The end result will be more choices for the consumer and more members and profit for everyone in the industry.

Fortunately, club operators have options which they can undertake if they want to move away from a commodity model and move toward an experience-based model. Not everyone should or can move to an experience-based model, those who find themselves immersed in a highly competitive commodity-based market may determine that moving toward an experience model may be the means by which they are able to create a profitable long-term niche for their clubs.

Suggested Actions for Becoming an Experience-Based Club

o **Establish a Theme**
 One possible helpful step for a facility in evolving into an experienced-based club is to establish a theme for the club, whether it is one single unifying theme for the club or a series of themes for the programs and services your club offers. For (See Stephen Tharrett page 26)



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Sales Training with A "Personal Touch"

By: Casey Conrad

In the previous three articles on sales training, published in CLUB INSIDER'S Oct., Nov. and Dec. '05 editions, we have discussed the areas of core competency, weekly staff meetings and accountability tools. This fourth article will discuss daily mini-trainings, thus completing the four-part series topic, "How to create a successful, in-club sales training program."

Anyone who has been in the management side of fitness industry long enough knows all too well that the turnover rate in the sales department can be high. Part of the turnover rate can be attributed to the fact that the industry often attracts a younger population who ultimately leave the indus-

try for higher paying "more prestigious" sales jobs. Another contributor is poor sales training, which leads to lower sales success levels, and non-realization of promised commissions. Income dissatisfaction often results in the departure of promising employees and that is true for any industry. A third, less-discussed contributor to turnover exists—even in clubs with quality training programs—and it's called "lack of personal touch."

To be sure there is no misunderstanding, let's define what is meant by "personal touch." Personal touch simply means taking the time to meet with employees in a one-on-one setting AND giving them the opportunity to express themselves, how they are feeling

about their job and what, if anything, they need from you as an employer or supervisor. Of course, these types of meetings provide a wonderful forum for additional training, but training in this type of forum without the personal touch defeats the majority of the goal. That goal is creating a relationship with an employee at a level where *he feels appreciated, needed and comfortable communicating with his immediate supervisor.* Having this type of relationship will greatly increase the level of employee satisfaction and ultimately should positively impact retention in the sales department.

The forum needed to deliver a personal touch with sales training is what I call daily mini-trainings, which are 10-15 minute one-on-one meetings with each salesperson on the team. These meetings happen each day an employee is working AND should happen regardless of the production or seniority level of the employee. A big mistake many employers make is assuming that because an employee has been with the organization for a long time that they are happy and communicative. This may not be the case and daily meetings can pre-handle any potential issues that might be arising for the employee. Of course, these one-on-one meetings should be conducted behind closed doors for both comfort and privacy.

In addition to creating a stronger rapport with employees, daily mini-meeting/trainings have many benefits. First, daily meetings keep employees on track. By reviewing numbers and following up on activities and tasks, managers can prevent employees from "ostrich syndrome." This term refers to situations where a salesperson is having a bad month but remains in denial by avoiding their performance statistics. We will discuss the particulars of how to do a daily mini-meeting/training later in this article.

Another benefit of short, daily meetings is that it keeps employees "on-brand" with company policies, terminology, upcoming activities and promotions. For instance, by constantly reviewing training materials, management can be

assured that employees are correctly making presentations in reference to club amenities, programs and current sales offerings. There is nothing worse than an employee taking a phone inquiry and the caller asks for information regarding an advertisement they recently saw and the employee doesn't have a clue as to what they are referencing. May sound far fetched, but it happens more than you would like to believe.

A fourth benefit of daily training/meetings is that it sends a message to the employees that you, as a manager, care. Let's face it, in the fitness industry everyone is busy all day long. By taking time out of that busy schedule to meet with every employee each day they are working, you send a message to him that he is a priority.

Finally, weekly mini-trainings/meetings where accountability is required with both numbers and skills results in a greater comfort level between the employee and management. All too often employees are only called in to meet with a manager when there is a problem or major issue. This results in employees becoming "phobic" to meeting behind closed doors. Weekly one-on-one meetings negate this issue.

Now that the benefits of weekly mini-trainings/meetings have been outlined, let's turn to discussing a suggested format. Perhaps the most important formatting piece to weekly mini-trainings is that a consistent format be followed. To begin with, you want to try and have the meeting at the same time each day, allowing the salesperson to adjust his schedule and always be "available" (If you don't do this, you will be amazed at the number of days a salesperson will tell you, "Gee, now isn't a good time!"). In an ideal world, it is best to try and meet with salespeople earlier in their day, as a way to help them get focused on organizing themselves for a productive day. If, however, more than one salesperson starts a shift at the same time, modifications need to be made.

Once you have a regular time scheduled, the next aspect of consistency is the actual mini-training agenda. Consistent in that you want to



Casey Conrad

follow the same format each meeting, ensuring the employee knows what to expect and is prepared. For example, I suggest that every salesperson's mini-training/meeting is broken down into the following schedule:

1. Review the employees' sales tracking sheet. We discussed this in Part III (refer to November, 2005 Club Insider). This is the spreadsheet style form that tracks a salesperson's number of new prospects, daily number of scheduled appointments, number of actual presentations given, number of sales made and amount of cash collected. Each category provides the daily number for each, the month-to-date total, the average per day and the projected outcome. Reviewing this each day keeps the salesperson grounded in reality and tells the manager what skills may need to be worked on.

2. Review lead management.

Lead management is referring to how the salesperson is maintaining organization and contact with his prospects, missed guests, and in some instances alumni. Whether the club is fully automated and is using a software program for this or if the salesperson (heaven forbid) is relying solely on an old fashioned paper system, management needs to inspect lead tracking each week. For instance, pick up the appointment book from two weeks ago, find a lead that toured but did not enroll, and ask the salesperson to find it in his lead tracking system. If he can't immediately

(See Casey Conrad page 32)

JLR Associates announces the placement of Astia Walker Sales Director Velocity Sports

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The "Intimidation and Embarrassment" Factors

By: Rande LaDue

I was recently enjoying my frequent chats with Norm Cates, **The Club Insider Publisher**, about the state of our industry, life, health, etc., when we both shared our personal stories of when we made the conscious decision to improve our health. It seemed that we both experienced the *intimidation* and *embarrassment* factors of going into a health club the first time or at a later age when we fell out of shape.

Norm told me that he was almost finished writing his book "Leaving Fat City" documenting his efforts of the last 5-years to lose over 100 pounds and get back into shape; what prompted his decision, his plan, his feelings and experiences of going back into a club and his success story. (Congratulations Norm, you look marvelous!).

For me, the decision to join a health club for the first time was when I was in my mid 20's. I looked in the mirror one day and said "You fat pig, do

something about yourself!" I was 40 lbs overweight, and a heavy smoker. I quit smoking, took up running (I couldn't make it around the local high school track once the first time without wheezing), stopped snacking and within a few weeks, felt pretty good about my change in lifestyle. However, I was still far too *intimidated* to join a health club, so I worked out everyday in my basement for a year before I had the *courage* to step foot inside the door of a club. My basement workout routine consisted of doing five sets of every major body part everyday, five days a week (I've learned a little since then) using the maximum of my 110-pound barbell set for squats and dead lifts. I finally joined a Nautilus fitness center and was hooked after the first workout. Imagine resting a day between workouts! Imagine a workout taking only 30-40 minutes! A year later, I opened my first health club. (Nothing in moderation for me).

Although I was in fair-

ly good shape (in spite of myself) from my daily regimen of lifting weights and running for a year, I was still *intimidated* to walk into the front doors of the local club the first time. I can only imagine the apprehension someone who was in my original shape must feel before taking this giant step. This apprehension, I feel, is the *major key to the success* of women's only circuit training clubs like Curves for Women and it's male counterparts, such as Cuts for Men and Blitz. Understanding this *intimidation* was also a big factor in my success in the health club business. I could understand and had empathy for my out-of-shape members. I knew what they were going through. I knew their *fear* and I also understood their *frustration* with themselves. I applauded them for taking the first step and encouraged them to be regular and consistent in their workouts. I still have a *tear-stained* letter from one woman who *lost over 100 lbs.* It took her over a year

to reach her goal, but she credited *my encouragement and motivation* as the reason she stuck with her program.

Even though I tried to make my clubs as non-threatening as possible, I still had many women tell me over the years that they didn't want to deal with the *intimidation*. The men I invited to my clubs usually told me they didn't have the time. (Guys don't like to admit they are *intimidated*). One day, I realized there was a legitimate basis for *intimidation*. I overheard a couple of young guys in my club joking about an overweight woman working out within earshot of her. Although I quickly put a stop to the joking, I never saw that woman again. I could only imagine her *embarrassment*. She knew she was overweight and she had probably been dealing with her problem for some time. She probably joined the club after failing with diets over and over again only to face ridicule once she joined.

The *embarrassment*



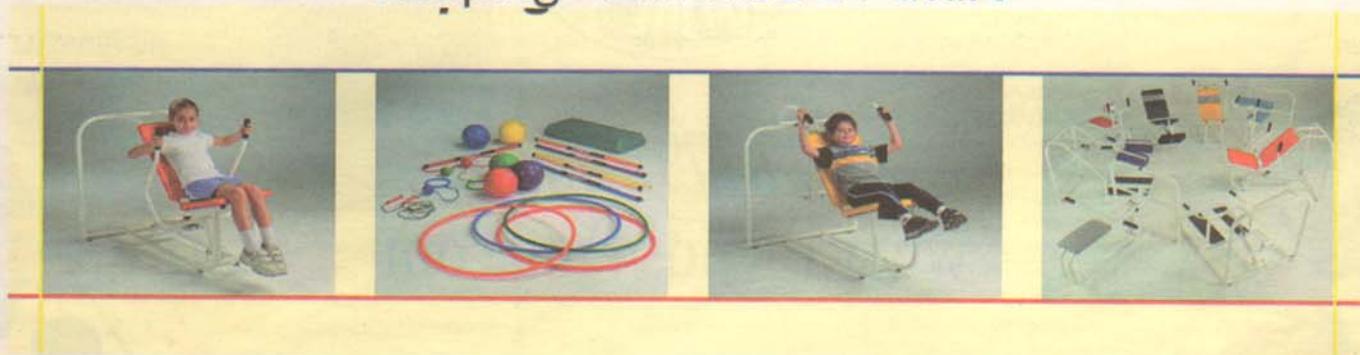
Rande LaDue

factor for me came later in life when I accepted a position with a company that produced home exercise equipment, primarily made in Taiwan and China. My long overseas trips, wining and dining clients, etc. were not conducive to a regular exercise routine. I soon got fat and lazy (again, nothing in moderation) and stopped going into the gym (See *Rande LaDue* page 33)

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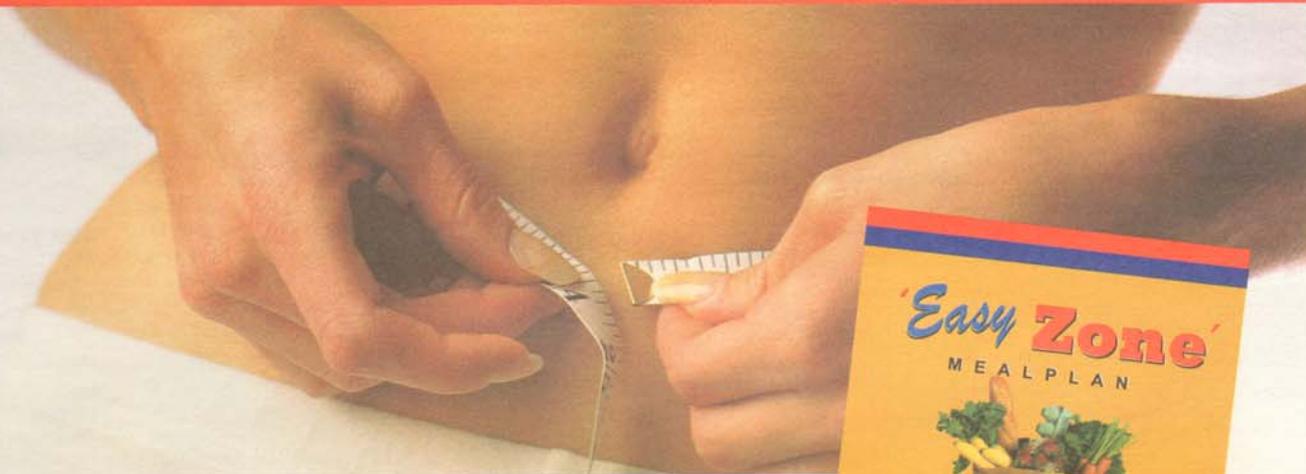
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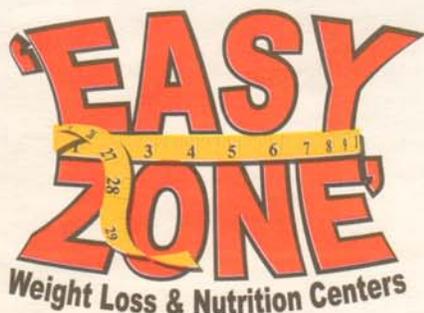
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...Stephen Tharrett

continued from page 20

example, a club might want to have a unifying theme built around a relaxing, non-intimidating club environment or it might institute a theme that centers on the facility being the community resource for fitness and wellness. In this regard, a key point to be emphasized is that a club can benefit by having a theme that is used to tie together its programs, services, people and facilities so that its membership clearly senses the theme. Exhale, founded and managed by Annbeth Eschbach, features a theme based on the mind and body. The facilities, programs and the experience members receive in Exhale are all based on that theme. Another club organization that does an outstanding job with employing a theme is Western Athletic Clubs in California. Utilizing a theme that is based on a club experience that is sport resort

oriented, they attempt to create an on-site encounter for each member that enables each person to feel that he is at a resort while attending the club.

o Produce and Direct An Act Based on a Theme

This option involves creating a script for the experience that the club wants its members to perceive. In essence, the club should look at its facility as a stage, its equipment and programs as props and its staff as actors. The club takes this script, (whatever the club decides it is going to be) and has the staff act it out, using the facilities, equipment and programs as the stage and props to create the environment for each member experience. The Marsh in Minnesota is an example of a club that has developed a script for a predetermined theme and utilizes its facility, equipment, and staff to help bring the script alive.

o Make it Transformational

According to Joseph Pine II and James Gilmore, in their renowned book, *The Experience Economy*, transformation represents a very personalized experience. In essence, a club's primary goal becomes creating unique experiences for each member or customer, rather than one overriding experience for everyone. To create transformations, a club's staff needs to know its members well enough to be able to create memorable experiences that are perceived as uniquely personal by each member. Such knowledge involves knowing more than just each member's name. The staff must also know the personal interests and participation patterns of the members. This transformational approach requires a commitment to two-way interaction between the members and staff. The underpinning of this process is all about building and sustaining relationships with its mem-

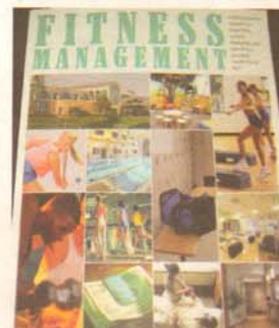
bers. The Larry North Clubs in Dallas, Texas are helping members achieve their goals. The staff at Larry North Fitness Club's take the time to learn about the members and what their goals are. They then do whatever they can to help each member reach those goals. The staff at Larry North Fitness Clubs, are clearly focused on creating transformational experiences for their members.

o People Become the Differentiator

To create positive experiences, a club has to see its staff as what makes it different in a meaningful way, rather than the price it charges, the size of its facility or how much equipment it has. It is the quality of the staff that a club has and the ratio of these quality people to members that can make a real difference. The key point in this regard is that people form relationships and, relationships are the foundation for an incredibly strong economic platform. Lord Burleigh once said, "Win hearts and you have hands and purses." What Lord Burleigh was saying is that when a club has great relationships with people, the members are far more likely to extend their support and spend their dollars. Clubs that care about their employees invest in their employees and allow them to take a sense of ownership in creating the club experience. These clubs will have a distinct competitive advantage that allows them to overcome the forces of a commodity-based market.

o Community Involvement

One of the real secrets for a club creating relevant experiences for its members is for the club to establish an environment where its members see the club not as a facility, but as an actual member of the community. When prospects and members view a club as part of the community, they perceive a connection that they don't discern from a commodity player. This perception of connection is essential, given that research clearly shows that individuals are far more loyal to a relationship, even a perceived one, than they are to a commodity. In this regard, clubs such as the East Bank Club in Chicago, Red's in Lafayette, LA, Laury Hammel's clubs in the greater Boston area and Healthworks in Boston, Massachusetts, are all seen by their members as important entities of their respective



Stephen J. Tharrett • James A. Peterson

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While there are many more actions that a club could undertake to begin converting to an experience model, the aforementioned five-action steps represent a start to that process. Not every club can or should move in this direction. On the other hand, those clubs that make the decision to change will find that they are entering into a business model where value is not based on price, but rather on the experience. When this situation occurs, clubs will be able to command a price schedule for its services and offerings that requires no discounting or fire sales and one which instead makes a positive statement about who they are in the marketplace.

(Stephen Tharrett is a fitness industry consultant who has spent more than two decades in various roles in the industry ranging from Director of Athletics to Senior Vice President with ClubCorp, a Dallas, TX based club-company. He is also a past President of IHRSA. Stephen has recently released, with his co-author, a comprehensive textbook and DVD series for the industry both entitled, *Fitness Management*, which can be purchased from Healthy Learning online at www.healthylearning.com or by calling 1-888-229-5745. Stephen can also be reached at steve_tharrett@comcast.net. Stephen's co-author, Jim Peterson, Ph.D. is a sports medicine consultant, fellow of the American College of Sports Medicine, a former faculty member at the United States Military Academy and also served as the Executive Director of Sports Medicine for Stairmaster Sports/Medical Products, Inc).

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...2005 in Review

continued from page 3

men and intelligence a lot. His letter provided a definite and clearly logical summary and explanation of why he and others should be sticking with BTS.

We also published a "Letter-to-the-Editor" from a very interesting guy, Mike Grondahl, Founder of Planet Fitness, chewing me out for my writing in my follow-up article on *Low Cost Clubs* that did not suit him. I responded to his 10-point tirade in a later issue. After several conversations with Grondahl, but never having met him in person, I visited two of his Planet Fitness Clubs. One was a company-owned store in Southern New Hampshire and the other, a franchise store in Poughkeepsie, New York. I was

impressed with both in two respects...they both offer lots and lots of excellent equipment. And, the company-owned Planet Fitness was very clean and well kept. In fact, in the men's lockerroom, I found the young Manager mopping the floor. I was also impressed with the low-key sales presentation approach. But, that company-owned store was no longer offering the \$10 per month they entered the market with. They offered \$19 per month only. When I asked for the \$10 per month deal the young fellow said it was no longer available and attempted to close me with free sun tanning as part of that offer. Let me add this was about half way through an East coast road trip last summer when I hit about 40 clubs and this was the only one I "shopped". Why? Simple: I wanted to get right to

the truth of what was going on there and I got the truth. The truth is that this was just another well equipped gym priced at \$19 per month.

May Norm's Notes – 'Short-Takes'

I summarized our page #3 news story about 24 Hour Fitness being under contract for sale for \$1.6 billion. • Bally Total Fitness announced that it would sell its Crunch Fitness group of clubs. • IHRSA's 25th Anniversary celebration would be punctuated by the departure of Big JOHN McCARTHY...but I suggested to the IHRSA Board in this May Norm's Notes writing that they should "Think outside the box" during this period, because after 25 years John's job had grown and changed along with the Association and John had grown his skills through service over time and a new person would not have that benefit. I announced that in our June, 2005 edition I was publishing a cover story entitled: "The Future of IHRSA." • Reported that 123 Fit, the name of the chain launched by Quiznos CEO, RICK SCHADEN and BROOKSY SMITH in an alliance with legend, Ray Wilson, would open their first site in Houston in May. Didn't happen in May. • LifeTime Fitness announced that it had lined up a \$200 million credit facility with U.S. Bank, N.A. and J.P. Morgan, N.A. in lead roles. • I wrote a Note of congratulations to new Fitness Business Pro (formerly CLUB INDUSTRY Magazine) Editor, PAMELA KUF AHL on her article about the "Certification Wars" that have been going on. Again here, I tip my hat to Pamela as she hosted a Panel Discussion on the topic in November at the Club Industry Show. • BOOKIE and DONNA SHILLCUTT opened a brand new Liberty Fitness Club in a shopping center less than a mile from my home. STORMY WHITE is serving as the Manager and a Personal Trainer at the women's-only franchise. • TSI Financial results achieved through the leadership of MARK SMITH and BOB GIARDINA, and released by CFO RICHARD PYLE, continue to be terrific. • JERRY NOYCE named MICHAEL ZDYCH-NEC as the new Health and Fitness Corporation Marketing

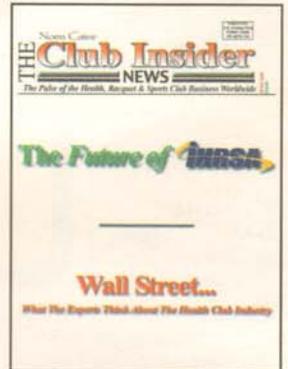
Director.

New Norm's "PERSONAL" Notes Launched!

I commented on my former partners in Courtsouth here in Atlanta, RICH BOGGS and RAY IRWIN, as being "Salt of the Earth" kind of guys. And, they sure are. • I acquired a NuStep Machine for my 87-year old Dad. My Dad is now 88 years old and he LOVES his NuStep Machine and credits it after one year with allowing him to put down his walking cane! My Dad liked his NuStep Machine so much that I arranged to get one for myself and I love it, too! I augment my daily workout schedule with it. (See Nu Step ad page 26) • Commented about the touching letter published in our "Because YOU Care" article about the success RUSH Fitness Complex member MARILYN CLOUSE experienced with Rush Personal Trainer, MICHAEL LARSON. • I commented on my continued and ongoing Personal Fitness Renaissance and how much I am enjoying being 100+ pounds lighter with 16 inches off my waist! • I wrote about the confusion out there caused by my regular and ongoing support of IHRSA in this publication for the past 12 + years. It seems that many IHRSA Member club owners think that CLUB INSIDER is a benefit paid for by IHRSA. NOT...!! CLUB INSIDER is not formally affiliated with IHRSA and IHRSA does not pay for CLUB INSIDER subscriptions for member clubs. If you received CLUB INSIDER in the mail and you have not mailed in a paid subscription, what you are seeing is a COMPLIMENTARY ISSUE for your club intended to interest you in reading it every month. So throw us a bone folks...! Invest in an \$89 1-year subscription and receive CLUB INSIDER every month! • I provided a brief update on my development of CLUB INSIDER 'for consumers'. • I mentioned my High School weight lifting buddy and track teammate, LARRY PACIFICO's son, JIMMIE and his amazing 705-pound unofficial U.S. national record in the full squat performed at the Ohio State Powerlifting Champion-ships in Kenton, Ohio, in early March 2005. Since then, Larry tells me

Jimmie has been doing 3 reps with 760 pounds. And expects him to do 800 pounds in his next competition! • I outlined my "Personal 10-Year Plan." • I informed folks that after almost 12 years of publication and as of May 1, 2005, I now offer a 100% Money Back Guarantee on new subscriptions!

Contributing Authors MICHAEL SCOTT SCUDER: "PUSH HAS COME TO SHOVE!" and JOHN BROWN: "Simple Sales Strategies That Always Work" are excellent articles published in May to help you keep moving in the right direction. Additionally, yours truly wrote and published the articles: "Because YOU Care" and "Chico's Challenge Motivates Employees To 'Get Active'!"



June 2005

The announcement by John McCarthy, IHRSA's highly esteemed Executive Director for the past 24 years, that he was retiring in June, 2006 triggered our June, 2005 co-cover story: The 'Future' of IHRSA.

Yours truly is one of, if not the closest IHRSA observer outside of Boston, Massachusetts. In this piece I reviewed the history of the Association. I set forth my views about the 'future' of IHRSA without John McCarthy. In this June edition writing I suggested some ideas for the IHRSA Board to consider during this rare and very special time period before John McCarthy's departure. In my view the job of Executive Director has grown enormously over the Association's first 24 years and I pointed out that thankfully, John McCarthy had also grown along with the job requirements. I suggested to the Board that because of that fact, a new person in John's role might well be overwhelmed, as they (See 2005 In Review page 29)

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...2005 in Review

continued from page 28

would not have the benefit of **TIME** to learn from experience and application the way John has. I explained that clearly during John McCarthy's years, IHRSA had become much more of a "multi-constituency" Association and that three people would be more likely to address those constituencies efficiently than one new person possibly could. The constituencies I mentioned were: Independent clubs, chain clubs and the variety of many other club types I called Vertical Market Clubs (Corporate, Spas, Personal Trainer Centers, etc.) Moreover, I suggested that the Board consider instead of replacing John McCarthy with one individual, that they split the job into three different Executive Director jobs. That idea didn't fly with the Board and I am sure, for very good reasons known by the Board.

In fact, **IHRSA** has picked its new CEO/President at its special Board Meeting held in early January, 2006. The identity of that person will not be announced until all contract negotiations are completed, the deal is finalized and the new CEO/President has signed the

contract. **STAY TUNED!**

The co-cover story for June was entitled: "**Wall Street...What the Experts Think of the Health Club Industry**". This report contained an in-depth interview with **David King, Senior Managing Director of Bear Stearns Merchant Banking, Jon Maxwell, Managing Director of Fixed Income Research for Merrill Lynch and Paul Lejuez, Vice President and Senior Analyst with Credit Suisse First Boston**. The interview was arranged by **IHRSA Founder, Rick Caro** and we thank Rick for that help. The content of the report, due to length, became a Part I in June and Part II in July, 2005. If you are thinking about involving your club organization in the public marketplace this was a terrific report to give you the "inside story" on what those dealing with public sector investors think of our industry.

June Norm's Notes "Short-Takes"

• **Paul Grymkowski and Rich Minzer**, two key people who were responsible, along with **Derek Barton**, for growing **Gold's Gym International** into one of the worlds best known

brands, announced their launch of **365 Fitness**. 365 Fitness is a new licensing organization that is developing 8,000 square foot or larger facilities offering cardio and strength training equipment and services. • **Jill Tattersall, CEO of Les Mills International**, wrote a nasty letter to me. Hurt my feelings... **NOT!** She wrote seeking my production of a follow-up article seeking "**balance**" to the story. Well, I responded back to her informing her I would be **most happy** to write such a piece after I had a **face-to-face** interview with her boss, **Philip Mills**. An interview was **never granted**. Moreover, should I have had such a **face-to-face** interview with Mills, the **first question** in that interview would have been: "Explain to me Philip, how you folks from 'down-under' thought you were going to **get away, with attempting to take away without any compensation to them, a business that Rich Boggs and Ray Irwin** had invested **\$5 million and 7 years of their lives**, without a knock-down, drag out fight?" By the way, nobody I know of in this industry besides the **BTS** folks and the **Les Mills** folks had the benefit of reading the settlement document entered into by these parties that I read. Reflecting

back on that, I can say this too. There is **no way in hell** that **Les Mills International** had the **best interest and well being** of their club owners in mind when they **forced this business breakup into what really amounted to a very short 4 week period!** That deal literally **caused hundreds of very happy clubs** offering **Body Training Systems** produced by **Boggs and Irwin** to have make a decision to either go with **Body Training Systems** or **Les Mills** within 4 weeks of the announcement. And, I might add, a lot of the clubs that made that decision last May are **kicking themselves right now**. So, if you're one of those club owners or group exercise directors and you're seeing the bad things I predicted in May hitting you right in the face, don't forget **Body Training Systems phone number is still 1-800-729.7837**. And, I can tell you **more and more very high quality club operators like Mike Arteaga's two All Sport clubs, Healthrax' 16 clubs, John Miller's five Courthouse clubs and Jennifer Harding's three East Side Clubs** are now signed up with **Body Training Systems** along with **hundreds of other quality clubs**. • In Canada, **Les Mills International** made a **real blunder** in my opinion when they

granted the rights to their programs to the largest single club owner, giving the rest of the club owners in Canada that had the **BTS** program a 25-day notice that that they were being cancelled from using the **Les Mills** program, effectively estranging the other 3 or 4,000 clubs in the Canada. Although I have not seen any announcement, I am aware that **Les Mills has been seeking to divide the U.S. into 10 regions** and has talked to multi-club operators across the **U.S. about being Les Mills Regional Agents**. So, in the near future, here in the **U.S., you could be paying your Les Mills license fees to a competitor of yours who is using that to take members away from you!** **STAY TUNED!**

• The deal on the sale of **24 Hour Fitness** to **Forstmann Little & Company** was for an industry record setting **9.5 multiple!** • **Rumblings** out of **Gold's Gym franchisees** was that some were not going to stay after the changes made by **TRT Holdings**. • I reported that **Club Industry East** in early June in New York City was terrific. There I met club industry veteran, **Gary Patti and his wife, Gary** is the 26-year owner of **Gold Medal Fitness** in
 (See 2005 In Review page 30)

...2005 in Review

continued from page 29

Garwood, N.J. and is wheel chair-bound. But, you'd never know this man has a handicap from talking to him! • **Planet Fitness Founder, Mike Grondahl**, had written a nasty letter to me in the spring and I replied to his letter point by point with my own, *sweet point of view on his criticisms*. But, given Grondahl's written statement that "I want to go on record as saying I don't care if I ever sell another Franchise!" I wonder how his franchise sales are going now?! **STAY TUNED**, as I am sure I will have an answer for you soon!

Contributing Author articles by **John Brown, President of Professional Club Management, Inc** entitled: "Can You Walk the Walk?", **Michael Scott Scudder** entitled: "The Way I See It!" "Why So Many U.S. Health Clubs Will Go LOW-PRICE!", **Gary Polic** entitled: "ARE YOUR 'SKILL ESSENTIALS' GUARANTEEING YOUR SUCCESS?" and yours truly, with both **Norm's Notes** and **Norm's 'PERSONAL NOTES'**, including **Dad's NuStep Update**, rounded out our June, 2005 edition by giving a bunch of ideas and food for thought.



July 2005

The cover story for our July 2005 edition was **Joe "The Gladiator" Moore...IHRSA's 25th President Shares His Great Story and the IHRSA Board's 'Vision' for the 'Future' of IHRSA.**

Joe Moore will go down in health, racquet and sportsclub history as one of the greatest leaders we've had. This former Dayton, Ohio Police Officer, Martial Arts expert and multiple Black Belt holder, is **IHRSA's 25th President**. His term found him faced with a huge challenge, namely the

announcement by **IHRSA's "Big John McCarthy"** that he was retiring in June, 2006. Combined, **IHRSA's 25th Anniversary** and John's replacement search, which is now complete, but not announced, have kept Joe Moore on the go non-stop. In fact, in a conversation with Joe Moore a few minutes ago he said, "The IHRSA Presidency this year turned out to be a full-time job." Yes it did Joe and I, for one, am thankful to have a guy like you at the helm at IHRSA during this very important transition period. But, Joe has **Julie Main** and a really great group of **Board Members** working with him and in my view they've done a great job as a team. About the now selected new **IHRSA CEO/President**, (IHRSA is changing job title of Executive Director held by John McCarthy for the past 24+ years to CEO/President) I know who the party is and I know about the party's excellent background, but I have pledged **CLUB INSIDER "silence"** on the announcement to Joe Moore and the IHRSA Board. I will announce the new IHRSA leader's name and will have a report as soon as practical. I can say this. The newly selected **IHRSA CEO/President** has an excellent background that qualifies this person extremely well for this new job...a job I honestly view as **one of the most important in the world**, given the obesity problems in America. This new person will have a huge opportunity and challenge ahead.

Our page #3 articles also included: "Wall Street...What The Experts Think About The Health Club Industry" - Part II, "Bally Total Fitness Seeks Waiver Extension From Noteholders" and **Town Sports International, Inc. Files For Initial Public Offering.**

July Norm's Notes 'Short-Takes'

• **Mario Bravomalo and Daron "Rocketman" Allen, Founder and CEO of Visual Fitness Planner (VFP)**, announced that as of July, they had installed **VFP in 380 locations!** • I wrote an update on the action with **Body Training Systems** and **Les Mills International**. • I wrote about **Augie Nieto, of Life Fitness fame**, and that Augie would be

honored as the next recipient of **Wally Boyko's National Fitness Trade Journal's LIFETIME ACHIEVEMENT AWARD** in Las Vegas in September, 2005. I call Augie the "Henry Ford of the Health Club Industry" because through his hard work with **Ray Wilson on LifeCycle**, they introduced regular cardiovascular exercise to America and the world. • It was announced that **Geoffrey Dyer, CEO of Lifestyle Family Fitness** and **Terry Dezutti, COO of the Merrit Athletic Clubs** had been selected by **Ernst and Young** as their respective state's annual **Entrepreneur of the Year Award nominees**. • I wrote a complimentary comment on **Colin Milner, the Founder of the International Council On Active Aging (ICAA)** and what a dedicated and fantastic job he was doing with his organization. • We reported on an up and coming club entrepreneur in Chicago, **Dan Morrisey**, and described Dan as a "Fast-burner", a term used in the U.S. Air Force for guys headed for promotion and more leadership responsibility. I had a chance to meet Dan and his very nice family last Fall at the Club Industry Show. What a nice young man and wonderful family! His **XSport Fitness** organization is up to 14 Chicagoland locations and are becoming big, big players and are expanding to other cities now. • **Mike Uretz** announced that **World Gym International** has new 4 new operations by franchisors going into **Hong Kong**. And, he announced that they expect **75 new World Gyms outside the U.S.** within 3 years. • We congratulated the club owners of **New Jersey** who with the assistance of **IHRSA's Helen Durkin**, mounted a campaign to stop **dead in its tracks a sales tax on health club memberships in the state!** • **Town Sports International (TSI)** announced an **IPO** intended to raise \$172.5 million.

• **The Women's Club staff** in Missoula, Montana got together with their members and published a wonderful book entitled: "Spirit and Strength...the Women of the Club...Our Stories". Thanks again to **Camie Mueller** for sending me a copy. The book is a really great testimony to the club industry and the manner in which **The Women's Club** embraces and helps their members! • **FitDV** was named **CMS**

Vendor of the Year. • **Harvey Lauer of American Sports Data** announced that there were **41,338,000 health club members** in the U.S., up 4.5% over the previous year

Contributing Author **John Brown's** article entitled: "Critical Factors for Sales Success" was published along with an announcement article entitled: "Lifestyle Family Fitness and XSPORTS Fitness Invest in VFP!" In my writing of **Norm's PERSONAL Notes, I published a letter to My Dear Aunt Mary who had passed away on July 7, 2005. May My Dear Aunt Mary Rest In Peace.**



August 2005

The cover story for our August edition was entitled: "Laury Hammel and Longfellow Clubs - Making the World A Better Place! Longfellow Clubs Celebrate 25 Years of Love!" This Part I and Part II (in September, '05) chronicled the 25-year club owner career of **Laury Hammel** and his great **Longfellow Clubs Team's** success in the Boston area over the past 25 years. A highlight of the story for me was the community work that **Laury** and his clubs engage in on a year round basis. Additionally, **Hammel** has been an active contributor to **IHRSA** with his presentations in the past as well. **Laury** is a really fun, interesting guy to know.

The second page #3 headline story in August was entitled: "Joe The 'Gladiator' Moore - IHRSA's 25th President Shares His Great Story and the IHRSA Board's 'Vision' for the 'Future'! - Part II. In Part II of this amazing Joe Moore story he shares his views about the 'Future of IHRSA'. Here is a guy that has dedicated himself to this industry big-time. In the summer of 2004 he sold his **Moore's Fitness Center** chain of 8 clubs to **Fitworks' John Janszen** and

Pat Petrecca. For the past four years **Moore** has served **IHRSA** and the health, racquet and sportsclub industry as an **IHRSA Board member** and this past year served as **IHRSA's 25th President**. We wish him well as he completes the most important task any IHRSA President has faced...finding the **best person possible** to step into the role **Big John McCarthy** has filled at **IHRSA** all these years. We wish Joe well as he completes his **IHRSA Presidency** and then stays on the Board as **Ex-Officio President**.

For the first time in 12 years I did not publish in print, but instead, placed on our Website, my **Norm's Notes**. That was because I used my **Notes pages #4 and #5 for a special "Tribute To Augie Nieto" article and photo collage**. The occasion I wanted to celebrate with my "Tribute" writing about **Augie** was the **National Fitness Trade Journal's event in Las Vegas in September, where he received the NFTJ "Lifetime Achievement Award"**. The sad part of this story is that **Augie Nieto**, had been diagnosed with **Lou Gehrig's Disease (ALS)** about 8 months before and the event was transformed into **Augie's Quest, an ALS Research Fund Raising event**. That evening in Las Vegas was fantastic and raised **\$1,041,945 for ALS Research!** **STAY TUNED** as we will cover that event in our **September 2005 review**.

Norm's Notes, August 2005 - 'Short-Takes'

It was bound to happen sooner or later. But, I must as usual, "Tell-It-Like-It-Is!" here when I tell you that at deadline the file for this month was "missing in action." My sincere apologies as this is a new first for us and these Notes are now on our website (Aug.).

CLUB INSIDER Contributing Authors, **Karen Woodard-Chavez, President of Premium Performance Training** provided an excellent article entitled: **Focus: Your Tool for Sales Excellence**. Also, **Richard Ekstrom, Founder and CEO of Retention Management**, provided another excellent work entitled: "Stopping the 'Churn'!" and **Gary Polic**, representing **Casey Conrad's Communications Consultants** (See 2005 In Review page 34)

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Sport & Health, Returns to Local D.C. Area Ownership

Sport & Health Company Announces Acquisition, New Executive Leadership

Washington, D.C. (January 9, 2006) – The Sport & Health Company today announced that its 26 full-service health clubs and three full-service day spas have been purchased for \$75 million, including assumed liabilities, by a Washington, D.C. real estate group. The announcement, made by Donald Konz, the company's new chief executive officer, returns the clubs, all of which are located in the D.C. Metropolitan area, back into local hands. Konz said the new owners will use their health club, business and real estate experience to help the company's 2,200 associates deliver extraordinary health and fitness programming, facilities and services to its more than 80,000 members.

The acquisition of the company was organized by Tom Fauquier, another partner in the new ownership group, Sport & Health Holdings, LLC, and a

principal in the Vanguard Realty Group. Along with Fauquier, Konz and Jonathan Adler, who becomes president and COO, other members of the ownership group include John Ariail, a long standing partner of Konz, and local real estate developers and investors Barry and Rusty Minkoff and Paul Chod of Minkoff Development.

"This local group's vast experience and resources will allow us to swiftly and proficiently expand and renovate our existing clubs and to develop new locations so that other communities can take advantage of all that Sport & Health has to offer our members," Fauquier stated.

At the helm of Sport & Health, Konz and Adler will be responsible for strategic corporate direction, continued development of innovative programming, partnerships and alliances, and leadership of the management team, and its

efforts to solidify Sport & Health's position as the area's leading health club company.

Donald Konz, CEO, brings more than 30 years of experience in the health club industry to the table and was among the founders of Sport & Health Clubs, serving as the company's president and CEO from 1997 to 2003. In 1973, he founded Courts Royal Clubs, which merged in 1980 with the Arlington Tennis & Squash Club, which in turn became the Sport & Health Company. "This team provides exciting possibilities for Sport & Health because it brings together individuals with expertise in operations, service development, facilities ownership and management," said Konz.

Jonathan Adler, president and COO, brings with him 30 years of experience in the marketing, Internet, exclusive golf club and publishing industries. Adler co-founded

Washington Dossier Magazine in 1975, and later became CEO of The Adler Group, Inc., which published apartment guides, new home guides, consumer directories, trade newspapers and interactive media. Since the sale of The Adler Group in 2000, his primary focus has been a portfolio of companies, some of which include EPI-Colorspace and BiZBash Media.

"Sport & Health Clubs, for decades, has earned its reputation as the premiere health club company in the Washington, D.C. metro area," said Adler. "By building on the strength of the company's existing foundation, we plan to enhance the experience for our current 80,000-plus club members and spa clients, through improved physical facilities, technology, delivering extraordinary member service and expanding our current offerings in competitive sports, group

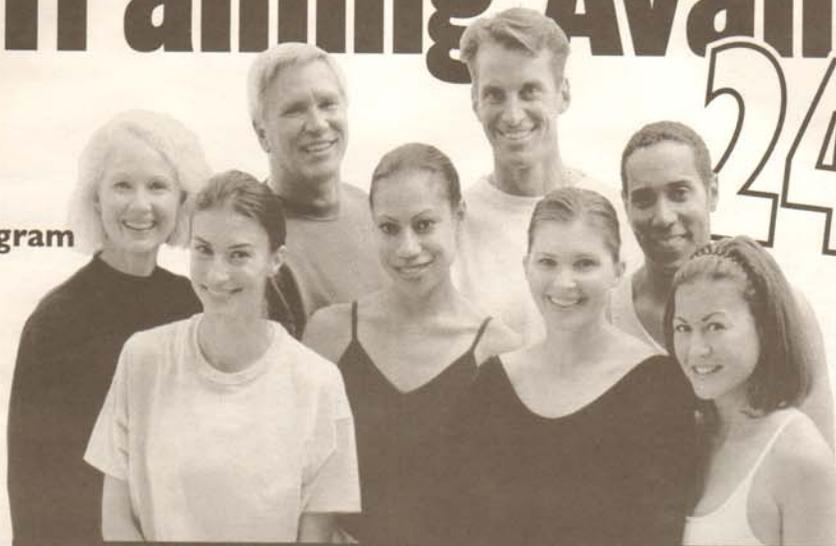
exercise and the growing area of health and fitness programming."

Mitch Batkin, current vice president of fitness at Sport & Health, will continue his role under the new management. "Nothing is more important than your health. Sport & Health's mission is to play a vital role in the lives of our members, to improve every aspect of their health and wellbeing. Our company is and will continue to be relentless in our dedication to hiring the finest fitness professionals," Batkin said. "People should demand special qualities from their health clubs, including a welcoming environment, a facility that is clean and well cared for, and a professional staff that can exceed their expectations. Our clubs live and breathe this philosophy and we take pride in making it a reality for our members."

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...Casey Conrad

continued from page 22

put their hands on that prospect's information, there is a big problem—i.e. the club is losing money because leads are falling through the cracks. To ensure that salespeople are following up on old leads, locate a goals worksheet booklet from several months ago on www.clubinsidernews.com and follow the same procedure. Again, if their systems are organized, they'll be able to locate the information. From there, management can look at the notes to see if proper follow-up has been attempted.

3. Skill Development.

Once a quick inspection of numbers and lead management has been completed, the meeting should move to the actual skill development. This is where one small area of sales training should be covered. What is covered is dependent upon two things. First, the numbers on the sales tracker sheet. As was discussed in length in Part III of this series, the sales tracker sheet provided valuable feed-

back as to what skills a salesperson may be struggling with. If they have a lot of scheduled appointments but a low number of presentations, there is a good chance that something is going awry with the information call. If there is a high number of presentations but a low number of sales, the first place to train is the price presentation and how to overcome objections. If there are a low number of new sales, management should be checking the referral presentation at the point of sale.

Whatever area of skill development needs to be addressed, remember that these mini-trainings/meetings should take no longer than 15 TOTAL minutes. That means that only one small skill in that area should be covered, which is actually better for the salesperson. Of course, if an area of development is identified, a manager may have 5 or 6 consecutive mini-trainings/meetings on those particular skills. Further, letting the salesperson know that a specific skill set is going to be focused on gives them the opportunity to be

studying and working on improvement during his downtime or after hours. Remember that it is the consistency of those daily trainings that will motivate the salesperson to improve; if he knows that another "inspection" will happen tomorrow, he'll either improve or give his resignation.

4. Daily Goal Setting.

The final aspect of the mini-training/meeting is a simple one: have each employee set goals. Of course, their monthly goals were set at the beginning of the month. Those monthly goals should have been broken down into the number of working days in the month. So, assuming that the salesperson wants to sell 40 memberships this month and there are 20 working days for them, this means his goal is 2 membership sales each day they work. From the goal, the daily "activity" goals can be established. For instance, if the salesperson had a 50% closing rate, it would mean that he needs to give 4 presentations each working day in order to close 2 of them. If their show rate was 80%, they would want

to have 5 scheduled appointments on the books in order for the 4 to show up and go through a presentation. Although all the key performance indicators on the sales tracker sheet should be broken down into daily goals, sales managers really only need to focus on three key numbers during the daily mini-training/meeting: new leads, new appointments made and sales.

This series of articles on setting up a successful in-club sales training program has covered a tremendous amount of information. Clubs have paid me thousands of dollars to come into their facility to teach and implement the process. Albeit in a very condensed format, this 4-part series in Club Insider has provided you with the entire outline and all the basic accountability tools needed to set up a very effective sales training program at your club. Information without action, however, only provides good reading—not results. If you want to improve the performance of your salespeople and the ultimate success of your club, take the time to apply the infor-

mation over the next year. Be disciplined to follow the format and soon you will be reaping the benefit of better trained, more successful salespeople.

(Casey Conrad is the Founder and President of Communications Systems and the Founder and President Healthy Inspirations. Casey may be reached at: 800.725.6147.)

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...Norm's Notes

continued from page 8

and has just released the new updated logo and slogan to enhance its academic standing as the #1 choice of colleges and universities in the US. The goal is to clearly enable college and adult learners to see W.I.T.S. as complete fitness educators with unique 6-8 week certification courses.

• **MSS FitBiz Connection**, **MICHAEL SCOTT SCUDDER'S** new Private Newsletter for Quality Fitness Operators **Volume 1, Number 1 – January, 2006** edition is on the wires! To learn about how you can become one of **Bro Scudder's** emailed newsletter

subscribers, contact **Michael** at: mss@michaelscottscudder.com

• **GARY HEAVINS** and his bride, **DIANE**, donated an additional **\$1 million** to the **Hurricane Katrina and Rita Victims**. That was on top of the **\$1.5 million** they donated to match **\$1.5 million** raised by about **2500** of their **Curves For Women** operators....**WOW**... keep on giving Gary...your space in **Heaven** is surely reserved!

• **New total club numbers**, as reported by **InfoUSA, Inc.**, as of **1/1/2006**, there were **29,069** health clubs listed in the **Yellow Pages of America's telephone directories** - an increase of **620 clubs** over the number on July 1, 2005!

• **COLIN MILNER**, reminds me of that **Energizer Battery Rabbit with the drum... he keeps on going, and going and going!** **Colin** is the **Founder** of the **International Council of Active Aging (ICAA)** and has just released a new Report on "**Active Aging in America**". Do you have the information you need to plan for the future, get financing, start your business, add new services? "**Active Aging in America**", Volume 1, Residential and Commercial Fitness, gives you the data and insight you need to grow your business today and into the future. Contact **Colin** at: cmilner@attglobal.net

• **JOE CIRULLI's Gainesville Health and Fitness**

Center, may have recorded a new **benchmark** for a single club with the **1,000,000th member** visit for the year **2005**. For the past two years, the **Gainesville (FL) Chamber of Commerce** has named **Gainesville Health and Fitness Center** that city's "**Business of the year**." **Way to go JOE and Team!**

• **STEVE and STEVEN ROMA** have some of that "**Energizer**" stuff as they recently announced that they have opened their 11th and 12th location in Japan. They now have 9-family-owned clubs and 31 licensees of their N.J.-based **WOW! Work Out World!** **Congrats guys! Keep going, and going and going!**

• **GOD BLESS** our troops, airmen and seamen in **IRAQ** as they fight on for a **Freedom** and another **Democratic foothold** in the middle east. **GOD BLESS** the families of all of our servicemen and women. **GOD help** those poor citizens of **IRAQ** as they try to survive to enjoy the changes being made by **American sacrifice** in their country. **And, GOD BLESS** all of you, especially those of you in the 3-state Gulf region, in this exciting **New Year** and may he bring you health, happiness and more profits!

STAY TUNED!

...Rande LaDue

continued from page 24

altogether. I knew better and felt terrible about myself, which lead to more unhealthy habits. After two years of overindulgence, I left that company and accepted a position with a medical company that had just purchased **HydraFitness** and was marketing their new hydraulic circuit called **PACE** to health clubs as a means of attracting the deconditioned, overweight, seniors, etc. I could totally relate to this product and knew there was a **tremendous need** for it. Still, I had to get back in shape. How would it look as the National Sales Manager for a commercial exercise equipment

company to be 40 pounds overweight? I went back into the gym, this time into the **PACE** circuit training room instead of the weight room, not only to put my new product to the test, but as a means of avoiding the embarrassment of being so out of shape among the **hard bodies**. Within a few months, I was back to my normal weight and ready to expand my routine to include the rest of the club's equipment.

Going through this **back-to-the gym embarrassment** gave me a deeper empathy for those out of shape people who are considering joining a club for the first time. It also gave me firsthand experience on the benefits of a hydraulic circuit

training program and how it can be used very effectively in clubs as a **non-intimidating** introductory program. It's much easier to sell a product if you know it works.

As **Norm Cates** knows, it also gives you more credibility if you practice what you preach. I look forward to buying his new book; "**Leaving Fat City!**" hopefully I can get an autographed copy.

(Publisher's Note: **Rande LaDue** is the **President of Pace Fitness** and a regular at many health and fitness club industry trade shows. Check out **Rande's Kids Pace Express** ad on page 20. Or you may reach **Rande** right now at: 1-888-604-2244.

His story is an excellent and compelling one. **Intimidation and embarrassment**, in my experienced view, holds not hundreds of thousands, but **millions** of people back from even visiting, much less joining a health club.

I am seeking **more answers** for our entire industry to this **very important question** for my readers: "**What do you do in your club to address and defeat the "INTIMIDATION and EMBARRASSMENT" factors for your members and potential members?**" The best submittal of ideas and things you do **received by February 15, 2005**, will receive a **3-year subscription to CLUB INSIDER** valued at **\$267**. And, your

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NEWS

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| ___ VoiceScapes - Pg 27 | Marc@voicescapes.com |

...2005 in Review

continued from page 30

and XSport Fitness in Chicago, provided a terrific article entitled: *Management Mentoring Disciplines "Are you truly developing your people?"* We published an update from *Body Training Systems* that consisted solely of the written testimonials of some of their customers sent to BTS. These 12 excellent testimonials came from club owners, managers, and group exercise directors of a wide range of clubs all across the United States. In

essence, these people are just tickled pink with the quality of the *New and Improved Body Training Systems Programs* and shared their satisfaction and excitement about how well things are going for them in their writing. **STAY TUNED!**

"2005 In Review" - Part III, covering the months of *September through December, 2005*, will be published next month in our *February, 2005* edition. **STAY TUNED!**

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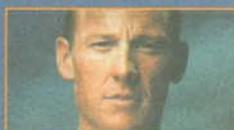


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