

# THE Club Insider<sup>®</sup>

## NEWS

The Pulse of the Health & Sports Club Business January, 1994

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## MASSACHUSETTS BOOTING BALLY

By Norm Cates, Jr.

**BOSTON, MA.** - In the past, American consumers have rated the health and fitness club industry on a par with "used car sales" in terms of ethical behavior and proper business conduct. I believe and hope that this reputation is being improved across America as clubs become involved more and more in the concept of providing the services promised to member prospects and in the idea that ethical and honest business conduct is the way to go in the long run. This article will provide some clues about why the American consumers feel the way they do about health clubs.

The State of Massachu-

setts Attorney General, Scott Harshbarger has filed a Complaint for Contempt against the corporations that operate the Holiday Health Spas in Massachusetts, including Holiday Universal, Inc. and Bally's Health and Tennis Corporation. The suit alleges that Holiday committed civil contempt by violating the terms of a 1989 Consent Judgment against the companies, and requests that the Court permanently prohibit the companies from operating in Massachusetts as a habitual violator of the State's Consumer Protection Act. The Attorney General has received more than 1,450 complaints against Holiday since the 1989 Consent Judgment was handed down.

"We allege that Holiday has been engaging in practices

that not only violate the State Consumer Protection Act, but that also violate a judgement of a Court in this Commonwealth," said Attorney General Harshbarger. "My office will seek a permanent ban from operation in the Commonwealth against any company that routinely ignores a prior judgement and state law."

In his new Complaint, the Attorney General alleges that Holiday:

- Misrepresented the price of memberships to consumers and induced them to purchase more expensive plans; (Writer's comment: the club industry calls this "bait and switch.")

- Failed to disclose to consumers their rights to cancel their memberships; (Writer's comment: Obviously, Bally teaches its people

to avoid the "chicken close!")

- Failed to appropriately permit consumers to cancel their memberships;

- Engaged in unfair and harassing debt collection practices; and

- Misrepresented to consumers material facts about the health clubs and their contracts, such as the facilities available in the club.

This new civil court lawsuit by Harshbarger comes after the Defendants have consistently breached the terms of a FINAL JUDGEMENT, with the consent of all defendants handed down in Suffolk Superior Court on January 19, 1989, by the Honorable Justice J. Owen Todd. The Final Judgement was entered in the Court Docket on March 2, 1989.

In the ORIGINAL ACTION, the Attorney General alleged that the Defendants injured Massachusetts consumers in numerous ways, including, but not limited to the following:

**ORIGINAL ACTION - FINAL JUDGMENT - JANUARY 19, 1989**

a. Misrepresenting to consumers the types of available memberships resulting in consumers purchasing higher priced memberships than they intended to purchase;

b. Misrepresenting the quality and availability of spa facilities, equipment, courses and staff members;

c. Failing to post clearly and conspicuously on its premises all membership prices, discounts, sales or offers;

d. Misrepresenting to con- (See BALLY page 4)

## IRSA MEMBERS OPPOSE EXERCERE

By Norm Cates, Jr.

Some of the IRSA Board of Directors would have you believe that the IRSA name change is a "done deal" and that the IRSA Board of Directors were unified in their vote about this name change. The fact is the vote was 6 to 3 with the 6th vote being cast for the name change by Spencer Garrett after a last minute lobby effort by Larry Krieger and John McCarthy caused Spencer to change his vote from No to Yes. The other IRSA Board Members who voted No were TIM RHODE, JENNIFER HARDING and FRANK NAPOLITANO. The Board would also have you believe that this name change is a "done deal." That simply is not the case. Many IRSA members OPPOSE the name change of IRSA to EXERCERE. The key to stopping this name change movement lies in your

hands. VOTE NO if you do not feel in your conscience that EXERCERE is the best name available and mark your ballot(s) AMEND THE BY-LAWS TO DEFEAT THIS PROPOSAL! Here is how some of the IRSA members are feeling. There are many more IRSA members who feel this way across the land.

**JOHN O'DONOVAN**, Schoeber's Athletic Clubs, San Francisco, CA: OPPOSED

"I am concerned about the name change because I don't feel it properly represents what is happening at the club level. As you know, the name IRSA has been difficult to explain since the letters don't stand for anything anymore. EXECERE, which is probably a wonderful name for those of us who own and operate clubs, and understand the business, will present the same problems for club level staff trying to

explain what it means and the reciprocity aspect of it. I simply feel we should have a name that is readily understood by the people in our clubs and in our market, and one that is easy to pronounce."

**BOB DEDMAN**, Chairman - Club Corporation of America, Dallas, TX: OPPOSED.

"I think we ought to have a name that will mean something to somebody."

**TOM LYNEIS**, President, Club Sports International, Denver, CO: OPPOSED.

"The proposed name does not mean anything to anybody and it will require a tag line to be used forever. Exercise is only part of our business... we are selling fun, relaxation, enjoyment, fitness and social interaction. With the new name, we don't accomplish anything... we don't move the ball down the field at all."

**MARK EISENZIM-**

**MER**, Owner, Cascade Athletic Clubs, Gresham, OR. Former IRSA Board member during 1st IRSA name change effort in 1992: OPPOSED.

"With enough money we can make any name work. But, the reason we even considered a name change was to more economically communicate to the general public, through our name, who and what we are."

**CARL PORTER**, President, Michigan Athletic Club, East Lansing, MI: OPPOSED.

While Carl Porter is in support of John McCarthy and the IRSA Board with the decision to change the name of the association, Carl disagrees totally with the proposal to change the name to Exercere. Carl says, "It is just as obscure and confusing as IRSA. It takes an eight-word sentence as an addendum to explain what it is all about, which is exactly the problem which had evolved with IRSA. The name Exercere lacks

the kind of simple dignity which is important for a world-wide organization of quality sports and fitness clubs. IRSA is not a product. It is an international association of businesses which deal in products such as fitness, sports and social environment. It is an organization. It deserves the dignity and simplicity of a name which is self-explanatory."

**ALAN SCHWARTZ**, Chairman, Tennis Corporation of America, Chicago, IL: OPPOSED

"I think it is inappropriate for a matter of this importance to be voted on by a ballot by mail as opposed to a referendum following a full discussion at the Reno Convention in March. I have deep respect for John McCarthy and the way he reasons through problems; however, the name Exercere in no way suggests an international association of clubs and it makes racquet sports third class citizens. Hopefully, the Board will delay this vote until the convention."

### • INSIDE THE INSIDER •

- Norm's Notes
- IRSA Name Change Editorials
- Idea Machine
- Executive Insight
- Lawsuit of the Month
- Help Westbay A. C.
- Frog's Deadbeat Bulletin
- Personal Trainer's Tips
- General Manager's Forum
- A Club's Site Selection - A Pivotal Step
- How To Make A Profit In Your Proshop
- What Business Are We In?

## Vote NO To EXERCERE

...see pages 2 & 3

# THE INSIDER SPEAKS

• EDITORIALS • "INSIDER MAIL" • COMMENTS •

**T**he Insider Speaks Page will be dedicated to editorial

commentary, "Insider Mail", and reader comments received on our Hotline (1-800-700-2120) or 24

Hour Fax 1-404-933-9698. We welcome reader editorials and will publish them when appropriate.

Those who wish to express their views are encouraged to do so through letters, faxes, or

phone calls. Don't hold back.

Let the **CLUB INSIDER** publish your view.

## NAME CHANGE PROPOSAL SHOWS IRSA'S BLURRED VISION

By Norm Cates, Jr.

**T**he Board of Directors of IRSA, The Association of Quality Clubs, is in the midst of an effort

to change the name of the Association. The reasons put forth for the name change are that the name IRSA is too difficult for the IRSA Staff to use, the name does not tell others what the association is about and the name IRSA is

skewed to racquet clubs only. (By the way, the rationale put forth is Larry Kreiger's letter to IRSA clubs dated December 17, 1993 is ridiculous and demonstrates just how desperate the IRSA Board is to try to justify their actions!)

clubs to vote YES.

### NOT A "Done Deal" Change By-Laws If Needed

The fact is, the By-Laws as written by Rick Caro, myself and others 13 years ago, virtually guarantee that the name change will be approved. That is because when we founded the Association, we wanted the Board of Directors to be empowered to make the important decisions for the Association when it was necessary. According to the By-Laws, it will take 75% of the existing IRSA membership (2300+ clubs) to vote NO in order to stop it. And, we all know that to obtain that percentage of response to any direct mail effort is highly unlikely. But, the By-Laws can be amended if the membership wants the Board to do so. But, let's go to another point and we'll get back to the name change.

I care a great deal for the members of IRSA. I now believe that the vision of IRSA is BLURRED and the goal for which we established the Association has been obscured. In 1981, we founded IRSA to serve the needs of clubs owners and operators. For the first ten years, IRSA seemed to be providing the service to its member clubs for which the Association had been founded. But, for the last few years, the IRSA focus on helping clubs succeed has been blurred by the effort that IRSA is putting forth to educate the world population on the many benefits of regular exercise. The idea is that if more people are educated about the benefits of regular exercise, then there will be more people seeking places to exercise as well. The theory is that this will help IRSA Clubs because they will be able to sell more memberships. But, there is a catch to the concept. The catch is that non-IRSA clubs worldwide, Y.M.C.A.'s, J.C.C.'s etc. will all benefit from the financial investment which has been made by IRSA Clubs. Unfortunately, there is no proof or historical basis to show that IRSA Clubs will benefit to a greater extent from IRSA's work. It is more or less, just a hunch. I

hope the hunch is correct.

I think the members of IRSA should be asking the IRSA leadership some questions about how their dues are being spent. They should ask what is IRSA doing for them directly by investing the IRSA money in this "world thrust?" They should ask the leadership if it would not simply be better to invest these mega-bucks in a major marketing campaign for IRSA clubs only. They should ask what will this proposed name change do to help my club? (By the way, in case you didn't know, IRSA spent over \$50,000 for the consultant who selected the name EXERCERE and IRSA has budgeted much more than that to tell the world that the name has changed!)

While I was neutral on the name change issue, I am now OPPOSED TO IT. I object to the method by which the IRSA Board of Directors has waged this name change campaign. They knew full well that there was realistically no way that they could lose. I have heard numerous IRSA Members use the description of "railroad job" and "shoving the new name down our throats." They are wasting valuable IRSA money and an enormous amount of time. The new name is not at all popular with the vast majority of the IRSA members to whom I have spoken since its announcement. The real question will be where will the IRSA Board of Directors draw the line when the vote turns out to be overwhelmingly AGAINST THE NAME CHANGE but falls short of the 75% required by the By-Laws to overturn it. Suppose 51% of those that respond send in their ballots marked NO? Will the IRSA Board of Directors do the right thing? (i. e. allow the MAJORITY of the IRSA members WHO VOTE to prevail) It is time that the members of IRSA retake control of their association!

You can do your part by VOTING NO and on your BALLOT write: "AMEND THE BY-LAWS AS NECESSARY TO DEFEAT THIS PROPOSAL."

(Norm Cates was the 1st President of IRSA in 1981. He co-founded the Association and currently serves on the IRSA Advisory Council.)

**TO: FRIENDS OF IRSA**  
**FROM: CECIL E. SPEARMAN, JR.**  
**DATE: NOVEMBER 23, 1993**  
**RE: NAME CHANGE**

After spending many hours challenging the merit of a name change for our association last year, I tried to avoid getting involved in the name change situation this year. The Board agreed to hire a professional consultant to help select a name and to help build a consensus of support for the new name and the new direction of our association. Because of all the effort put forth by lots of people dedicated to the success of our association, I really tried hard to support the new name. I do not like to be "against" something many leaders of IRSA favors and I find it especially difficult to differ with John McCarthy on this issue. John is an outstanding leader that I respect immensely and he has played a key role in the fabulous growth of our association.

Though I have tried hard to accept and like this current name change - I simply can't agree that a name change is necessary. My seven clubs will vote NO on a name change. The reasons why I will vote NO are as follows:

- (1) IRSA, as a name, has equity and is well known to clubs and vendors.
  - (a) A few years ago our Board voted for IRSA to become "International Racquet and Sports Association." We should keep IRSA as a name and explain that the name means RACQUET and SPORTS CLUBS.
- (2) EXERCERA will require explaining as much as IRSA, and I believe we can explain IRSA as RACQUET and SPORTS CLUBS as easily as we can explain EXERCERA as being Latin for letters of "to exercise."
- (3) The new name does not mention Racquet Sports and I don't want to give the impression our association is exercise only. We have lots of members who operate tennis clubs for fun, social and exercise. While exercise is a wonderful by-product of tennis, I don't believe people join tennis clubs primarily to exercise. Certainly exercise is a benefit of tennis, but not the reason people join a tennis club.

I will support whatever decision the majority of our voters say on the vote on a name change but — I hope enough of you will vote NO with me so we can defeat this proposed name change and get back to working on the important issues of our association. A NO vote will put this issue behind us for at least five years.

Vote NO on the name change and try to get a friend to join you with a vote of NO on any name change. We have too much equity in the name IRSA to risk a change to EXERCERA.

The new name proposed by the IRSA Directors is EXERCERE (EX-ER-SARA). Does EXERCERE sound like a name which will be easy for the IRSA Staff and members to use? Does EXERCERE sound like a name which will tell people what the Association is about? Does EXERCERE (which is Latin for: to exercise) focus only on fitness to the extent that it is as non-inclusive for racquet and multi-sports clubs as was IRSA for exercise only clubs?

Since the proposed new name was announced, I have had the opportunity to listen to the viewpoints of a large number of people in regard to the name change effort. One of the IRSA members who has taken the time to articulate his thoughts on why he is going to VOTE NO on the name change is Mr. Cecil Spearman, the Southern California-based owner of seven clubs and IRSA's President of 1991/92. Cecil has written a memo to "Friends of IRSA" and that memo is shown on this page. I have chosen to publish Cecil Spearman's memo because he has stated his opposition to the name change to EXERCERE clearly and the feelings of many IRSA members around the country echo the feelings that Cecil Spearman has expressed. Also shown on these pages is a letter to the CLUB INSIDER Editor by Warren Werthimer of the Rolling Hills Club, Novato, California. I feel that the IRSA Board has conducted this name change campaign in a one-sided manner. By that, I mean they have used IRSA money to mail three separate letters to over 2300 clubs worldwide promoting the name change. They have published two articles in *CBI Magazine* promoting the name and the Board has pursued an aggressive verbal campaign to sway IRSA

**TO: CLUB INSIDER**  
**RE: IRSA Proposed Name Change**  
**FROM: Rolling Hills Club President, Warren Werthimer**  
 Dear Editor:

I write to express my concern that the proposed IRSA name change to "Exercere" (apparently "to exercise" in Latin) is a recipe for a potential IRSA disaster, and to urge all those who agree to contact others within IRSA to vote NO on the name change.

- A. The Proposed New Name Sends The Wrong Message.
1. It suggests that we are essentially about exercise and to me that is an absolutely invalid and potentially dangerous conclusion. Mine is not an exercise club and ours is not an exercise industry.

We will not entice the vast majority of the public (which currently is basically nonexercisors) to join our Clubs by telling them they need to exercise or even by encouraging them because of the benefits of exercise:

- a. People clearly do not need to join our clubs to exercise. And I doubt that they need exercise (certainly not vigorous exercise) to lead a happy, healthy life.
  - b. What people need is more relaxation, nurturing, re-creation, fun, and emotional support, being with friends and this is something our clubs are uniquely suited to provide if we focus on these things. If we create places where people want to be, then we have the opportunity to tap into the vast market of people who will never join our clubs to exercise. Most people make choices viscerally, on the basis of what feels good, rather than what's good for them. (See the article "What Business Are We In" in this CLUB INSIDER.)
  - c. IRSA Clubs are about tennis, swimming, racquetball, fitness massage, basketball, competing in sports, stress management, camaraderie, social programs, yoga, childrens programs, nutrition education and much more, and exercise is just one part of what we are about. Maybe store front health clubs are essentially about exercise, but that is not so for the type for clubs which we developed and are the core of IRSA.
2. "Exercere" is not easy to pronounce or remember and requires just as much if not more explanation than IRSA.

- B. The Case Has Not Been Made That A Name Change Is Beneficial.

1. Over the last 10 plus years, a lot of effort has been successfully put into creating goodwill and a positive reputation for IRSA. In order to justify the time, money and energy which will be needed to create that same good will for a new name, it seems to me that a strong case needs to be made that a change is needed. In my opinion, that case has not been made.
2. While IRSA may no longer be a "Racquet Sports" association, that does not mean there is anything wrong with the name. People do not have any problem with knowing what the 3M Company is about even though it has very little, if anything to do with Mining or perhaps even Manufacturing (the letters MMM stand for Minnesota Mining and Manufacturing). We can just say IRSA stands for "An Association of Quality Clubs" or if you need to give the letters meaning, it could be Integrity, Reliability, Service and Accountability in the Club Industry.

I am concerned that adoption of this name and the focus it suggests will make it difficult for me to want to have the Association represent me. I think others feel likewise.

It is my sincere hope that the IRSA members will let its Board of Directors know that it opposes the name change, and that the Board will not pursue the name change so that we can go forward harmoniously to capitalize on the enormous potential that exists in a broader view of what we really are about.

# Norm's Notes

**TOM MORGAN** is the new publisher and **TERRY MOFFATT** the new Editor for **CLUB INDUSTRY** Magazine which was acquired recently by Cardinal Business Media Inc. I owe Tom an apology because I distributed the Introductory Edition of the CLUB INSIDER News at the Chicago **CLUB INDUSTRY CONVENTION AND TRADE SHOW** without his permission. Sorry Tom. Tom is a very nice young man who is dedicated to making the **CLUB INDUSTRY** Magazine a great success. Here are two notes of interest about **CLUB INDUSTRY** Magazine... **CHARLEY SWAYNE**, of the Valley View Fitness and Racquet club, La Crosse, Wisconsin, wrote a great article which was published on the last page of the November, 1993 edition of **CLUB INDUSTRY** titled: The Best President We've Ever Had. You have got to read it! And... **CLUB INDUSTRY** is going to publish a list of the Top 50 Owners and Operators of health and fitness facilities in America. Here are some nominations: **RED LERILLE** - Lafayette, Louisiana; **JOE CIRULLI** - Gainesville, Florida; **DICK TRANT** - Waltham, Mass.; **CURT BEUSMAN** - Mt. Kisco, New York; **MARK EISENZIMMER** - Gresham, Oregon; **BRUCE HENDIN** - San Antonio, Texas; **JIM GERBER** - San Francisco, CA; **PATRICIA BRENNAN** - Wall, New Jersey; **WARREN WERTHEIMER** - Novato Hills, CA; **TODD PULIS** - Concord, MA; **ALAN SCHWARTZ** - Chicago, Illinois; **ROGER RALPH** - Bel Air, Maryland; **RUTH STRICKER** - Minnetonka, MN; **TOMLYNEIS** - Denver, Colorado; **CARL PORTER** - East Lansing, Michigan; **CECIL SPEARMAN** - Laguna Nigel, CA and **JOHN COFFEE** - Marietta, GA.

**Laurie Cingle** the Director of Health and Fitness at the Houstonian Club in Houston, Texas and the 1992 IRSA/CYBEX Fitness Director of the Year reports that her club is undergoing a \$2 million renovation. Laurie supervises nine departments at the Houstonian, including the Personal Training Department, which brings in over \$600,000 per year.

**JOHN MCGINLEY**, the Chairman and Chief Executive of the RELAXION GROUP in Great Britain predicts that the United States will see a wave of commu-

nity recreation and fitness centers turn to the private sector for profit operators in order to avoid passing on high costs/tax increases to the citizens. He has proof in England of his theory as he now operates 25 clubs which just three years ago were operated by municipalities.

**DALE DIBBLE** has recently sold his ownership interest in CEDARDALE, the awesome mega club located in Haverill, Massachusetts, a suburb of Boston. ED and ZOE VEASEY and their family are now the sole owners of the ever changing CEDARDALE.

**JIM KARR** the owner of CLUB UNIVERSE in Greenfield, Wisconsin reports that he is adding a sports medicine facility to his club. The facility will provide physician services, rehab, physical therapists, massage, athletic trainers and seminars to his members. The sports medicine facility will be operated by a local company called "Competitive Edge" with the addition Grand Opening set for March, 1994.

**BOB PETERSEN** former NCCA AND IRSA co-founder and Board Member has sold his interest in the Courthouse Club and the downtown Fitstop in Boise, Idaho to the owners of the Park Center Health and Racquet Club. Bob is one of the greatest guys you will meet anywhere and we wish him the best in his future endeavors.

**"ARNOLD THE ICON"** A special collector's issue of Muscle and Fitness/Flex is coming soon. This issue will be a first for Weider's Publications, Inc. and will feature a never-before-seen Arnold photo chronology. It will also feature a story on Arnold Schwarzenegger's World Gym "make-over" project. The publication will be distributed at the debut of Arnold's first-ever World Gym Convention and the Arnold classic Bodybuilding Championships to be held in Columbus, Ohio on March 3, 4 & 5th. Many thanks to Michael Hoffman of Heart Communications for filling us in on the activities of one GREAT AMERICAN - Mr. Arnold Schwarzenegger!

**MIKE CHAET** and **CRAIG AIRD** have been affiliated for ten years. They have now formalized their arrangement and are introducing Club Marketing and Management Services (C.M.S.) to Canada. C.M.S. is a worldwide

organization serving the fitness industry since 1965. Mike Chaet is a 20+ years industry veteran who is a respected club industry speaker and teacher. Craig Aird is also an industry veteran and will head up C. M. S. Canada. C. M. S. provides consulting services, advertising marketing and promotional materials, educational seminars, publications and reference books to the world market. Good luck guys as you expand in Canada in a big way!

**TIM RICHARDS** is having a great time in life now after going through some tough times in the mid 1980's! It is really nice to see a guy like Richards, who has contributed to this industry in many ways, do so well! Tim owns and operates two clubs with his Orchard Hills Club growing to become the second largest club in member numbers in New England.

**UNSQUASHABLE USA** - Is the new name for the old Sportslife location in Marietta, Georgia which will be re-opened soon by world class squash player and former squash coach for Germany, Ali Raza. The totally re-modeled facility will feature all the normal facilities and services such as weight and cardiovascular equipment, aerobic classes, squash, basketball, volleyball, etc... and it will offer bowling and golf practice areas all under the 50,000-square foot roof. The new operation is scheduled to open in early February. Good luck Ali!

**DEAN WALLACE** reports that the Courthouse Clubs in Eugene, Oregon had another good year under the guidance of the Wallace/John Miller Management Team. Dean reports that in 1993, although the four clubs sold 75 fewer memberships for the year, the four club chain's membership base grew by 300 due to their ongoing Member Assistance Program and the LEAP Program's impact on member retention. Dean's New Year Resolution is to get better at member integration and better at teaching members the importance of proper nutrition in reaching their goals.

**RUTH STRICKER** of the MARSH - A Center for Balance and Fitness has recently doubled the size of her facility. This lady is a revolutionary thinker and doer and has won many awards (See Norm's Notes page 6)

**...BALLY**

*continued from cover*

sumers their rights to cancel their contracts;

e. Failing to post clearly and conspicuously on its premises the consumers' right to cancel their membership contracts for any reason within three days, and the method of cancellation;

f. Failing to allow consumers to cancel their contracts within three business days for any reason.

g. Failing to refund all monies paid by consumers and any executed contracts within fifteen (15) days of Defendants' receipt of the consumers notice of cancellation; and

h. Engaging in unfair and harassing debt collection tactics.

What all of this boils down to is that in January, in 1989, the Bally organization consented to a thru h above, and promised not to violate the consent decree in the future. Now, the State Attorney General intends to terminate all of Bally's operations in Massachusetts based upon a new COURT ORDER that A. G. Harshbarger expects to obtain. In addition to RUNNING BALLY OUT OF MASSACHUSETTS, Harshbarger seeks: to obtain an order of restitution, full refunds, and cleared credit histories for aggrieved Massachusetts consumers, to access civil penalties and costs against Bally for the violation so the Final Judgement issued and to order that the Defendants comply forthwith with the terms of the Final Judgement.

The Bally Health Club chain of over 300 clubs nationwide has been assembled by the Bally Corporation under the auspices of the Bally Health and Tennis Corporation. Smaller chains located around the country have been bought out by

Bally to become part of the Bally network. Two of the corporations which are Defendant's in this case are U. S. Healthy, Inc. and Holiday Universal, Inc. the operators of the Holiday Spas chain.

In 1987, in New Orleans, Louisiana, at the IRSA Annual Convention, about 1000 club representatives from around the U. S. voted NO to a proposal to admit Bally into the IRSA organization. What did those club operators know then that the people in the Boston area have since learned? The IRSA club owners and operators knew that Bally was a chain of clubs which is extremely aggressive in its membership marketing and sales efforts and they knew that the Bally operators were habitual violators of ethics and proper business behavior in their own markets. The IRSA people from around the country had experiences in their local markets which convinced them that they wanted no part of any relationship or association with the Bally operators. The IRSA clubs pride themselves on ethical behavior and even have a Code of Conduct and Pledge for all of their member clubs. The meeting in New Orleans progressed with a line of people who spoke out against the plan to admit the Bally clubs into IRSA. Several individuals who were former Bally employees told the group of the many improper things that they were required to do when employed by Bally. A vote was held at the end of the meeting and the proposal to admit the Bally clubs to IRSA was unanimously defeated.

Why did 1000 club operators from all over the United States stand up and oppose the Bally application to their asso-

ciation? The reasons were simple and they were basically the same reasons that Massachusetts Attorney General Scott Harshbarger wants to kick Bally out of his state. The bottom line is that the Bally organization has created a culture of people who will do whatever it takes to make membership sales, including doing the things of which Harshbarger complains. This culture is not restricted to the State of Massachusetts. I have witnessed these same activities in the Atlanta area since Holiday arrived in 1984. (At the time, U. S. Health, Inc. owned Holiday and it was not a Bally chain, but the behavior was the same.) And, obviously those who attended that famous New Orleans IRSA meeting have seen this behavior in their areas.

I call this do whatever it takes - high pressure sales culture, the "SPA MENTALITY." This "SPA MENTALITY" pertains to the days when the first health clubs, gyms or "SPAS" were built in the 1950's and 1960's. In the beginning, the culture of making sales and "getting the gross" was born because many clubs in America were built and equipped solely from the cash collected from membership sales. This intense pressure to "close the sale" and get the "gross" was the root cause of the "SPA MENTALITY" as we know it today.

So, just what happens with a typical Bally membership sale? You can shop any Bally club in the country and find the same M. O. (method of operation) as I am describing here.

Membership prospects are generated in mass volume by the expenditure of, on average, 30% of annual revenues to advertise and promote the Bally clubs. These ads typically will feature a

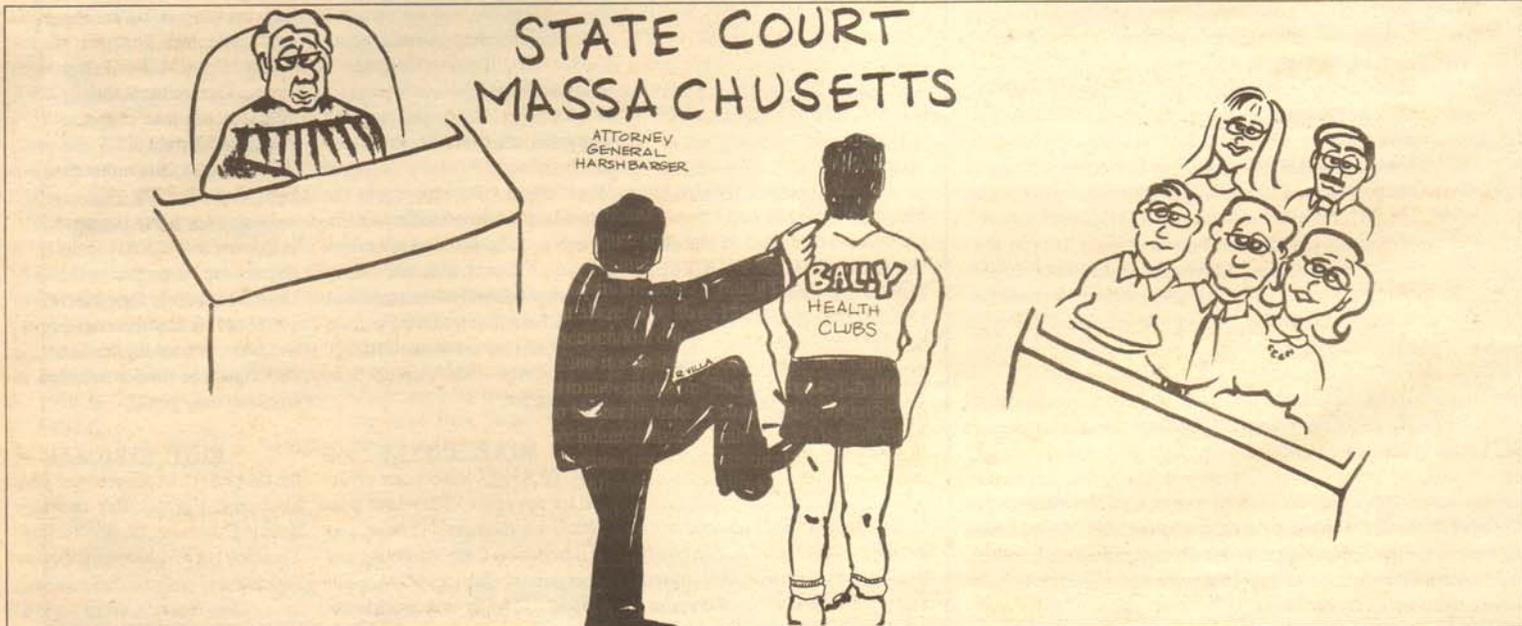
beautiful girl touting what the buyer will look like if she joins a Bally club. More often than not, the ad will also feature a low-ball price for membership which is intended to facilitate in the mind of the consumer the idea that the Bally club memberships are affordable. The primary purpose for this low ball ad price is to get the prospect in the door and to accomplish what is called a "bait and switch" technique when the person responds by calling or coming into a location. The membership prospect will be greeted and will be given a tour. Then the prospect will be taken into a closed sales room. Often, that room will be monitored by a microphone in the ceiling or near the desk so that the sales manager can perform a move called a "turnover", should the prospect be unwilling to buy a membership at that time. The prospect may mention the low ball price which was advertised and the salesperson will often respond that the price is certainly available, but will remind the prospect that the membership is only valid during certain non-prime hours. Or, in the case of the Massachusetts Bally violations, the salesman might immediately perform the "switch" which is to go into a price presentation for a "Premier" or Gold Membership or the plan which has a higher price, longer term and many so called added "features," ignoring or denying the existence of the specially priced deal which had been advertised. As in one case in Massachusetts, the salesman may deny that the "low-ball" priced membership is available at all. There is always an effort to write up the highest contract value on the membership that the prospect will agree to. Then comes the "close." Typically, the close of the sale will in-

volve between 5 to 10 efforts to get the prospect to say "yes." And, usually with the room monitored, the sales manager knows exactly when to step in and perform the "turnover." More often than not, the salesman and the manager when necessary, will use price "drops" or other arrangements to close the sale. The focus is keenly on making the sale then and there. While shopping a Bally club in Atlanta recently, this reporter asked the sales manager who had performed a "turnover" exactly why he could not extend the special offer just made for one more day. The exact words from the sales manager's mouth were: "Because they won't come back."

The Attorney General Harshbarger has a meticulously documented case against Bally in Massachusetts. There were over 1450 violations after the Consent Judgment was passed down and the A. G.'s office has documented each case very carefully. I believe that Harshbarger has the stuff necessary to shut Bally down in this state. The sad part is that while the legal process in Massachusetts slowly works its way, hundreds and maybe even thousands of people will most likely be taken advantage of by Bally in that state.

While this article has been about the Bally activity in Massachusetts, I know of many other situations around the country where the Bally clubs have used illegal and unethical methods of operation. One very prominent case is the class action lawsuit brought against Holiday's organization for racial discrimination. If you have information to further the documentation of Bally's illegal and unethical activities, please share it with me. Vice versa, if you would like to have a copy of the entire 20 page Massachusetts Complaint which Attorney

(See **More BALLY** page 6)



# A Club's Site Selection: A Pivotal Step

By Rick Caro, MBA



**Caro**

What is the club industry? Some outsiders describe it as a capital-intensive business while others refer to it as a service business or a retail-oriented, day-to-day business open 365 days a year. A few outsiders see it as an illiquid venture while some see it as a fickle, faddist, dynamic and unpredictable industry. However, the consensus of most outsiders is that it is a real estate business. It is very difficult to value the real estate component separately from the business portion of a club, as the unpredictability factor of the business hurts the valuation of both the business and the land/building.

## LOCATION IS KING

The real estate component of the club business is the single biggest determinant of club success, and it is the location of the club that is king! So far, it is not apparent that any club owner has ever airlifted his multi-sport club from an inferior site location to a more suitable one.

The club industry is a market-driven business with the number of members serving as the most significant indicator of club acceptability and perhaps, profitability. If the market is fundamentally insufficient, no extra amount of service, equipment or facilities can overcome the poor locational handicap. If a club is not located near its targeted local population, then no marketing or discounted pricing can create an appropriate bottom line. The need for an independent market feasibility analysis is therefore critical.

Even if a full analysis was not done prior to the clubs creation, many owners are now seeking these market analyses as they encounter one or more of the following situations:

- opportunity for a major expansion
- chance to develop a satellite facility nearby
- major change in local demographics and type of members
- arrival of a new competitor
- need to create a long-range plan

## 3 ELEMENTS OF A CLUB LOCATION

A club needs a location which allows it to achieve all of its potential benefits without any accompanying detriments. The ideal location should have the following three basic elements (in addition to expansion potential):

- Accessibility
- Parking Adequacy

- Visibility
- Accessibility is obvious.

If the local resident lives nearby as the crow flies but can not reach the club site because of the lack of direct roadways and the need to use a circuitous route comprised of back roads—then, the site is imperfect. In fact, the site may be so defective because of the lack of a major artery that it may have to define its "real market" as too minimal in size to be sufficient to support a club.

The definition of a market according to consumers has changed from a mileage definition of more than a decade ago to a drive-time measurement. So, if a prospect believes that it takes too long for him to drive there, even if he technically may be within a 5-mile definition (according to the proverbial crow's flying radius), he is not part of that club's market. And the market is shrunk by the lack of direct access routes.

Some Clubs have enjoyed great success because of their proximity to major arteries. In a few cases, State Transportation Departments have changed those arteries or exit points and truly damaged clubs' markets and their bottom lines directly. Access is truly important.

Parking may often define a club's capacity quicker and more specifically than any local zoning or planning board. If members or prospects have to drive around and around a club's parking lot without finding a legal space, they may not even give the club a second chance. Even off-site parking on the street may not save the day. And we have club members who complain when they do find parking if it is not right in front of the club and they have to walk around the outside perimeter of the club's building.

Parking must be adequate both for a club's needs today as well as its future needs. Often, simple compliance with the local zoning requirements may be insufficient for what the club truly needs as it reconfigures its club, goes through its growth cycle or offers new services and facilities. If there is inclement weather or

the need to drop off children, parking issues become exacerbated. Also, parking at night must be deemed as safe for all members and staff. Finally, valet parking systems and even shuttle bus systems to off-site locations are generally unsatisfactory solutions.

Visibility is the least critical of the three, but most desirable. Although the buying decision of a new member is less impulsive than in the past, there is value to the visibility factor. It may lead to a visit to at least take a tour of the club or accept the free use of a guest visit pass. It may serve as a constant reminder to a potential buying decision as a prospect drives right by the club. Often, a prospect is reinforced by seeing a busy facility. Walk-in traffic still accounts for a large portion of a club's prospect base.

If there were no visibility, then signage from major arteries to the specific site and actual entrance becomes critical. If there is no visibility and an inability to gain legal permission for direct signage, then the marketing efforts must also have the responsibility of educating the prospect of the club's location as well as its benefits.

## SITE SELECTION METHODOLOGY

Years ago club developers and owners would use population statistics as wide as the entire country and its metropolitan sampling area (MSA). Some appraisers and advisers back in the 1970's and early 1980's would refer to population information by towns or zip codes. Others would be influenced by statistics involving car traffic numbers (or foot traffic in major urban area).

Today, the methodology has been refined and become more precise. The demographic information is still the basic data needed. But, it is now collected based on drive-times from the site of the club (or proposed clubs). In effect, a site selection expert drives each direction from the site (like spokes of the wheel from the center) at prime-time hours. Now, the definition of a primary market has narrowed from previous years. The primary market is now only an 8-minute drive time and often may only reach the equivalent of a 2 1/2 or 3-mile radius (not the 5 or 6-mile definitions of the past). The secondary market now reaches 12 minutes and no longer are 10-12 mile radii used. In a strictly urban market, walk times are used instead.

The above describes the residential market methodology, but the local working marketplace has to be analyzed, also. A shorter set of radii are used and the data is

then analyzed separately for just those working locally but not living there. Density is still the most critical principal, with the upscale element of the population next.

There are a variety of computerized demographic services who collect data and update it between census periods every decade. Some of those services are more appropriate than others for the club industry. However, all these services do is provide data. An expert needs to interpret it and use the appropriate conversion factors (or absorption rates) to define the potential demand for all clubs combined in that marketplace.

However, collecting information about the demand factor by itself is interesting but not useful. The supply side must be studied concurrently to determine if there is a potential for a new club—or your club. In fact, many markets are already oversupplied with clubs, and a new club might be "doomed" before it starts. So, an expert must determine how many regular adult users are already being served by existing clubs. This determination is not easy as owners and general managers are reluctant to release "real" membership numbers.

The final piece in the analysis involved the relationship between the supply and demand side. If there is more demand than supply, the recommendation would be to proceed. However, if the opposite is true, the recommendation would be a negative one.

Some others would want to use primary research and either hand out questionnaires or do telephone surveys. These are inter-

esting and help guide club developers and owners on issues to types of facilities and equipment—but never the "go" or "no go" decision. The club industry has no data on how to interpolate or apply conversion factors to such research results.

Other issues to keep in mind include the importance of natural or perpetual barriers. For example, some local residents see water, a bridge, a county line, a major highway or a key artery as a barrier they will not cross. The market is defined by a set of points based on the drive times. If connected, they never form a perfect circle. Also, local behavioral patterns have to be taken into consideration. Sometimes, people leave an urban area where they commuted to and will not want to go back in that direction for their recreation. So, unless they use it while at work or immediately on the way home, it is not an "eligible" alternative if they were to view it from their residential location.

Site selection is a process that truly can predict a club's success or failure. For those club owners who never went through the process vigorously with an expert, it is still valuable to do so. For those who are still not sure how their club relates to its marketplace today, the opportunity to do a market analysis is a critical building block for its success today and its future planning.

*(Rick Caro is the President of Management Vision, a New York-based club industry consulting firm. Rick has served on the Boards of NTA, NCCA and IRSA and is the person who brought NTA and NCCA together in 1981 to start IRSA, The Association of Quality Clubs. Rick served as President of IRSA in 1982/83.)*

## HELLO?!?!?!?!? ARE YOU OUT THERE???

The response to the CLUB INSIDER News from a subscription point of view has been excellent! We say THANKS to all of you who have subscribed!

However, the feedback requested in the form of editorial comments, Toll Free Hot Line call ins with information or news and correspondence has not been what I was hoping it would be. Maybe you have just been busy with the holiday season.....yeah, that's the ticket!

Anyway, I want to ask YOU to do the following:

- (1) Clip and place our TOLL-FREE News Hot Line number somewhere on your telephone. This will make it easy to look up and use when something newsworthy and/or interesting

happens around your place.  
CLUB INSIDER NEWS  
HOTLINE # - 1-800-700-2120  
(2) Fax or write to us with your input on articles listed in COMING NEXT MONTH!

•After all, this publication is ABOUT AND FOR YOU..... and without your participation, it will be less excellent than it could be!

Tell three people about THE CLUB INSIDER News. They do not have to be in the club business or in your market area to be interested in The CLUB INSIDER News. In fact, The CLUB INSIDER News is a great publication for anyone who is investigating a career change into the club industry!

THANKS AND HAPPY NEW YEAR!

Norm.

# How To Make A Profit In Your Pro Shop

By Norm Cates, Jr.

**S**portsminded retailer, Suzy Stewart, has a clear vision for club pro shop operators about how they can make a profit in their club operated pro shops. The idea: duplicate the style and quality of branded merchandise, eliminate the middle men and then contract direct with factories on a made-to-order basis. "It's the A, B, C's of retailing," says Suzy. "It's such a common practice among the retail giants. The Gap, May Company and Federated Department Stores all have whole private label divisions dedicated to identifying key items like polo shirts, updating them if necessary, internationally sourcing them in low cost of labor countries and delivering quality product for prices 30-50% below that of its branded counterpart."

Suzy Stewart developed this idea into a business with the assistance of three prominent club industry experts. Curt Beusman, Rick Caro and Larry Krieger (current IRSA President) worked with her to define her idea into a vision and formula for enhancing club image while improving your bottom line. Through the prompting of

Caro and Krieger the concept will include staff uniforms and promotional vehicles in addition to the pro shop line she initially wanted to introduce. As a result, Suzy Stewart, a veteran retailer with an expertise in private label product development and international sourcing, has launched **The ATHLETE'S EDGE APPAREL CONSULTANTS**, a group purchasing program unifying the powerful buying potential of health and fitness chains and independent clubs.

As she explained to Rick, "It's incredibly profitable for the clubs once they understand they save big dollars by anticipating their seasonal needs as opposed to ordering as needed." It's also a major challenge for Suzy to coordinate and consolidate the individual club orders into one bulk order. "Everyone's so busy, and it's really foreign for them to understand that they are each a small but very important component of one, big consolidated order. Nothing can happen until the pieces are put together. When we have to wait, we potentially jeopardize price, delivery etc. It's

truly a unified project: the more of one style you buy and produce, the less you pay."

Curt Beusman, a Ph.D. and one of the world's greatest entrepreneurial minds, conceived a way for Suzy to begin to bring these ideas together. The plan is a subscription service with an annual enrollment fee for clubs of \$300. For this fee, the club receives much more than a purchasing program. For example: while coordinating a staff uniform program on club logo, solid color polo shirts, the Cascade Athletic Club of Gresham, Oregon asked Suzy to consider a tricolor version of the solid. The order would have normally been too small in order to qualify for the minimum cutting ticket. To solve the problem, Suzy contacted her offshore factory and negotiated a smaller minimum, in return for using the solid program colors to produce the tricolor and to manufacture it simultaneous to the solid version. She then contacted several clubs to see if they would take a small quantity and help out a sister club at the same time. "It's that kind of participa-

tion and cooperation that will make this a successful and meaningful program. The more they ask for, the more they'll get. The program will also include staff uniforms and promotional items like polo shirts, t-shirts, warm ups, etc... and then will hopefully expand to include key items for the pro shops."

While the Athlete's Edge Apparel Consultants is just in its infancy, Suzy Stewart now has a client list which includes the following and is looking for more clubs to participate: the Well Bridge Center, Newton, Ma; Athletic Club at Metro V, Dublin, Ohio; East Hills Athletic Club, Grand Rapids, Michigan; Eastern Athletic Club, Brooklyn Heights, New York; Edwards Health & Fitness, Naperville, Illinois; and Pierpont Racquet Club, Ventura, California.

In addition to the subscription service for clubs, Suzy is also available for pro shop consulting. She will come in and evaluate your pro shop and suggest ways to improve the bottom line. As she explained to Rick Caro: "These pro shops can be



Stewart

much more than just a member accommodation; they can be a powerful profit center if they're managed as a professional operation, and that's merely a matter of education."

Suzy Stewart is very excited about this new venture with the clubs. "This is an industry full of wonderful people, and it seems the opportunities for all of us are endless. There is nothing better than a win/win situation."

If you want to improve your pro shop bottom line and get involved in this win/win situation, contact Suzy Stewart and The Athlete's Edge at (914) 591-5645.

## Norm's Notes

continued from page 3

in the industry. Look for more about Ruth Stricker and the Marsh in a future edition!

**DAVID CARR** who is affiliated with the SKYDOME CLUB in Toronto must be a real card. He faxed a message to me requesting a free subscription to the **CLUB INSIDER** with the rationale that my promotional literature de-

scribed a 100% savings on the annual subscription fee, thus he felt entitled to a one year free subscription! Nice try Dave! Have a Happy 1994! And, by the way, the price for you is now \$200 per year! Just kidding. GOBRAVES!

**GARY TAYLOR**, one heck of a nice guy from the Wheaton, Illinois area and former IRSA Board Member, sent me a cute little "frog" in honor of the Frog's Deadbeat Bulletin. Thanks Gary.

In 1987, Gary served on the IRSA Board of Directors and was one of the two Board Members who led the charge AGAINST the admission of Bally into IRSA. Gary, you and Dean Kachel did everyone in IRSA a favor by speaking out against the proposal! By the way, Gary is now in the market for a General Manager position having left the impressive Wheaton Sports Center not long ago. He can be reached at (708) 469-6229.

## More BALLY

continued from page 4

General Harshbarger filed on October 6, 1993, just drop a note and a check for \$5 for mailing and copies and I will send it to you.

I am writing a book entitled "SPA WARS" - The Saga of the Health Club Business in America. This book is about the inside story on the club business in America. I decided to write this book because of the experiences I had dealing with Holiday in Atlanta. If our industry is to continue to improve its image in the minds of the American consumer, we must all make our best efforts to expose those who operate like Bally. In short, the club industry and the American consumer will be much

better off when the "SPA MENTALITY" operators are gone or have changed their ways. And, the only way to get rid of them is to educate the American consumer about what they do and what they stand for. This continuing education of the consumer about Bally and Bally clones will ultimately result in their inability to get people to sign their contracts. And, when the people stop signing, Bally and their clones around the world will leave the club business. You have my permission to copy and use this article anytime to accomplish the objective of educating an American consumer about what is really going on with Bally.

Stay tuned to the **CLUB INSIDER** News for updates on the **BOOTING OF BALLY!**

## • IDEA MACHINE •

**T**he IDEA MACHINE is a monthly brainstorming session which will provide you with new and innovative ideas for your club. The ideas published will be those submitted by our readers as well as ideas published in various industry publications in the past. The IDEA MACHINE ideas can be on any area or issue. The defining criteria for publication is that the idea(s) must be briefly stated and must relate to helping club operators make or save money and improve their operation for the member. Submit your ideas to be published monthly in the IDEA MACHINE to the CLUB INSIDER News, P. O. Box 671443, Marietta, Ga. 30067-0025 or Fax to: 404-933-

9698. **IDEA MACHINE JANUARY, 1994**

**SAVE ON PRINTING COSTS!** Cecil Spearman says he has saved significantly on his overall printing costs for his seven clubs through the purchase and use of the RESOGRAPH Machine. The machine produces high-quality, color newsletters, calendars, flyers etc. at a fraction of the normal cost.

**INCREASING MEMBERSHIP VALUE!** Warren Wertheimer provides his members at the Rolling Hills Club in Novato, California with a special purchasing discount arrangements with local merchants. This plan provides for a discount on goods and services purchased by Warren's

members, thus increasing the value that his members receive.

**MEMBER SERVICE SURVEY AND MEMBER NOMINATION.** Jay Kell of the Sports Clubs of Canada conducts a member service survey which has an interesting spin. He produces a high-quality member service survey and mails it along with member nomination form for referrals by his existing members. He then provides a premium for all members who complete the survey and who provide the club with the names and telephone numbers of friends who in turn receive a free pass to try his clubs. By using this plan, Jay is able to improve both service and new membership sales.

## Coming Next Month...

- **RED LERILLE'S Club Case Study**
- **KEN ESTRIDGE** Shares his experiences with **JOY OF MOVEMENT** with an article entitled: "How To Close A Club Successfully"
- **AN INDEPENDENT PANEL SURVEY** on Treadmills
- **AN INTERVIEW WITH ARTHUR JONES;** The Inventor and Founder of Nautilus & Med X
- **CLUB SHOPPER SERVICE Kicks Off**
- **AND MUCH MORE!**

# • LAWSUIT OF THE MONTH •

**I**t can be a nasty world out there and the CLUB INSIDER wants to help you avoid unnecessary legal expenses and problems.

Each month, the CLUB INSIDER will examine a common area of lawsuits in the club industry so that you can be aware of the issue, how to avoid it and what to do if you are sued.

## TELEPHONE YELLOW PAGES

Here is an area where careful consideration and proper arrangements are necessary in order to protect your personal interests. The Yellow Pages advertising in your local area can become a serious trap for your business and for you personally if you are not careful. The club owner/operator without previous business experience in dealing with the Yellow Pages is at greatest risk.

As the owner/operator of a club, you will most likely be contacted by your telephone company to discuss Yellow Pages advertising. You must be prepared in the following areas before meeting with the Yellow Pages representative to arrange for this new advertising contract.

(1) BUDGET - It is wise

to have your advertising budget for the coming year prepared. This will allow you to consider the sizes of ads that are available within the context of what the club can afford to pay. (NOTE: Be careful to avoid the "new club euphoria" when considering Yellow Pages advertising. By that, I mean that if the timing of the Yellow Pages meeting(s) happens to coincide with your club's grand opening activities and sales, it is easy to make contracting mistakes in this very important area. In other words, be very careful not to bite off more than you can chew!

(2) CONTENT - Have an idea of what you want to say in your Yellow Pages ad. Be sure to carefully prepare your ad to say what you want to say and not more.

(3) CONTRACTING - The Yellow Pages salesperson has one objective when meeting with you: to sign you up that day. Do not allow the person to rush you. Arrange your initial meeting(s) a couple of months in advance of the deadline to allow you to consider your plan carefully. Ask questions about the production deadline for the Yellow Pages, when the book will actually be distributed and when you will have

to pay for the ad.

(4) PURCHASER - It is important for you to define clearly for the salesperson exactly who the purchaser is. If your business is incorporated, the corporation should be the purchaser on the Yellow Pages contract. If you are not incorporated, be aware that the Yellow Pages contract will most likely stipulate that you personally are the purchaser.

(5) OBLIGATION(S) - Understand your obligation(s). When you contract for Yellow Page Advertising, be aware that you are obligating either the corporate entity or yourself personally for the payments. You should enter into the contract with a written clause which states that in the event that you sell the business or in the unfortunate event that the business closes, your obligation will cease. If you have multiple locations which will be covered with one ad, you should ask for a written stipulation that in the event that any one of the units is either sold or closes, the ad amount will be reduced accordingly on a pro-rated basis.

**BEWARE OF THE 900-POUND GORILLA!**  
You have probably heard

the old question... Where does the 900 pound gorilla sit? Answer... wherever he wants! Well, in this case, the telephone company with its Yellow Pages contract can become the 900 pound gorilla real fast if you make mistakes in this Yellow Pages deal. For example: if you sign a contract for Yellow Pages Advertising for multiple locations without the location release clause in the event of the sale of the club or the closing of the club, then the 900 pound gorilla is going to jump your bones for the balance of the contract in full. Or, another example: if you are a small, single-unit operator who has just gotten into the business and signs a Yellow Pages contract personally, do not expect ANY mercy from the telephone companies on that obligation if your club does not make it. A good rule of thumb is simply, do not sign for Yellow Pages advertising personally if at all possible.

**WHAT TO DO IF THE GORILLA HAS ALREADY POUNCED?**

O. K. so you are sitting there and reading this and realize that I am already the subject of the Gorilla's efforts.... what can I do

now? The answer is:

(1) If you find yourself in a position where you just can no longer afford to pay for the Yellow Pages advertising, ask the company to separate your business phone lines accounts from your Yellow Pages ad billing so that you can avoid having the telephones disconnected due to non-payment of the ad. They will generally do this and will work with you on the ad obligation as long as you communicate with them and are co-operative.

(2) Try to make a settlement offer that you feel is appropriate and can live with that will retire the obligation.

(3) If the Yellow Pages people will not accept your offer, ask them to state the terms that they will accept to settle it out.

(4) Attempt to make a settlement arrangement with the Yellow Pages organization before they hand it over to their attorneys. This is important because it will give you an opportunity to make your case with a Yellow Pages supervisor. Remember to treat them nicely and with respect because they are in a "power" status over you and if you anger them, they can make it very difficult for you. Avoid expressing anger or hostility.

Good Luck.

**GREAT VALUE!! GREAT VALUE!!**  
**CLUB INSIDER INTRODUCTORY OFFER EXPIRED**  
**NOW EXTENDED TO**  
**FEBRUARY 15TH, '94**

In December, 1993, I had introduced The CLUB INSIDER News to the market by mailing out over 9,000 sample copies to clubs all over America. The response to date has been excellent. However, I made a mistake that must be corrected. I enclosed a remittance envelope for your convenience which looked like the one below. You will notice on the remittance envelope that I forgot to have EXPIRES - DECEMBER 31, 1993 printed on the envelope. Although the expiration date was printed on the CLUB INSIDER front page once and the back page in two places, I feel that the right thing to do is to extend the DEADLINE for the INTRODUCTORY OFFER to February 15, 1994. As of February 16, 1994, the rates will be \$99 per year with the additional subscriptions at \$49 per year. And, at even \$99 per year, The CLUB INSIDER News is a GREAT VALUE and a publication which will become a MUST READ for the club professionals of the world. So, take a moment now and subscribe to the CLUB INSIDER News! You won't regret it!

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# Steps To Personal Training Success

By Norm Cates, Jr.

The concept of "Personal Training" has been around for a long time. The difference is that in the early gym days of the 50's and 60's, people were training each other through the "Buddy System" and money was not involved. In the 90's, while the "Buddy System" is still great for the long haul, people are seeking Personal Training and it has become a big business for clubs.

Bill Pearl was a pioneer in weight training. In the 1950's and 60's, Bill showed the rest of the world what weight training could do. Now age 63, Bill is still fit and strong. I can remember when I was 15 years old and just beginning to lift weights in Rome, New York. Bill Pearl was everybody's idol. He had reached a top level in the body building business.

I recently contacted Bill and others around the country to ask them to share their thoughts and tips on how to make personal training pay. Here is what they had to say:

**Bill Pearl** - Life Fitness Consultant - Fitness Educator - "Never promise more than you can deliver."

**John Coffee** - Coffee's Gym - Marietta, Ga. - "With the deconditioned people, we try to

give them something challenging in volume before we get into intensity. Cardiovascular work and Cybex or other machines is usually used up to a submaximal level to start the program and after they get through the first phase, we get them into more intensity."

**Red Lerille** - Red Lerille's Health and Racquet Club - Lafayette, Louisiana - "I believe that the Buddy System is the answer in the long haul. The people who want the personal training want to get their programs down pat, but to keep on coming back, year after year, the Buddy System provides the motivation necessary to do it."

**Mike Fifrick** - Concourse Athletic Club - Atlanta, Ga. - Mike says: "I would encourage personal trainers to place an emphasis on the changes in the body composition of your clients by: 1) Testing your clients percentage of body fat on a regular basis and break the total body weight down into two parts; the fat weight and the lean weight. 2) Then, about every six to eight weeks, recheck the body fat to observe changes that motivate, educate and allow you to revise the clients program. Mike has developed an interesting and enjoyable niche for personal trainers. He explains: "My niche is just like other niches such as weight loss, working with accident victims, coaching etc."

**Larry Pacifico** - Former world power lifting champion in eight different weight classes shares his experience on starting a personal training operation in your club. "When we decided to start personal training, we had to come up with a way to let people know we were in business. I had the advantage of being well known in the community. However, we still had to let the right people know about this new venture. We started out by hiring a public relations company to provide us with a mailing list of names and addresses of potential clients. We then did a direct mailing using a tasteful but sharp brochure to zip codes that fell in the income range that could afford our services. Our first mailing was to 8,000 addresses. From that we received 5 good leads. Those 5 clients signed on and within 30 days, those 5 led us to 7 more. After that, it snowballed.

At that time, we charged \$35 to \$45 a session. Today, we sell packages of 3, 6, 10 and 20 sessions. 90% take 20 lessons for \$700. We stipulate that the 20 sessions must be used within a 60 day period.

The key to success here of course is **RESULTS**. We get those results for our clients. 80% of our one-on-one service is diet counseling. Gym exercise pro-

vides shape, tone and strength, but body fat reduction comes from eating properly and aerobic activity. Also, it helps to be a good motivator. It is also important that all trainers be certified through a reputable certification company.

**Terry Kennedy** - Sporting Club at Windy Hill - Atlanta, Ga. - Offers his Top 10 Keys to Successful Personal Training.

1. You need to have a great personality.

2. Work hard with all your clients especially any referred client should be treated with special attention as your business depends primarily on them. The cost to you is \$0, however, the referred client will net you the greatest return. More business!

3. Commit yourself to 1 hour of service, and don't be afraid to give them 15-30 min extra. This will let your client feel that they are not just another time slot that you are in a hurry to finish, so that you can move on to another client. This shows your client that they are important to you and not just a \$ sign.

4. Be early and avoid at all cost being late to your scheduled appointment. A car phone is a must whether you train in a club, home or both. Your client and you need to exchange all phone numbers. Also, attain their Fax numbers so that you can send their programs to them when necessary.

5. Keep yourself knowledgeable of a wide variety of health, sports information through at least 5 professional journals and 5 magazine subscriptions.

6. Keep knowledgeable in areas that your client enjoys i.e., work, hobbies, etc. A relationship that revolves around common interest will grow to become stronger.

7. Avoid the trap of limiting your own teaching experiences to just one area. i.e., Aerobic, instructor, bodybuilder, cyclist, runner, skater, etc. The more your own ability grows, the more your business grows.

8. Evaluate and reevaluate your client by setting attainable goals. Set monthly accomplishments i.e., Run a 5K race, Canoe a river course, Hike a National Park Trail in one day, Ride a horse, etc. Work with your client to set realistic goals.

9. Offer 2 free training sessions for each new client referral.

10. During December holidays give all your active clients a subscription to a health, sports, or nutrition magazine. All clients serviced during the year should be sent a holiday card.

*(Kennedy is a full-time Personal Trainer based at the Sporting Club at Windy Hill in Atlanta, GA).*

## Monthly Dues vs. Retail Installment Contracts

By Norm Cates, Jr.

The response to last month's survey was not large enough in numbers to obtain any meaningful data. However, there were several comments by our respondents which were interesting and worth printing.

Allan Lockhart of The Manchester Athletic Club in Manchester By The Sea, Massachusetts says: "I'm not sure if anyone knows what the best all around

plan is. Obviously, contracts are best for cash flow, but bad for public relations." We offer all options so we don't lose any potential members if they opt for invoice, they pay a premium fee."

In reference to refunds, one correspondent writes: "Don't offer a refund, but allow a member to transfer a membership or freeze a membership due to health, job transfer, etc., if they need to get out of it. An irate member does more harm than good and can destroy a club's goodwill."

Don Spano of The Roman Health and Racquet Club in Lake Charles, Louisiana says: "I'm thinking of eliminating the two year contracts and going to one year because it is easier to sell and collect."

In my years in the business, I have tried nearly every kind of membership. The one membership that I would recommend that everybody avoid is called by Geoff Hampton of The Courthouse Club in Springfield, New Jersey, the "Trojan Horse Membership." The "Trojan Horse Membership" is one which is for two or three or more years and gives the buyer a guaranteed low price renewal rate for life, in exchange for payment of two or three years of fees up front. The problem is that this membership locks in the rates and reduces dramatically the income to the club down the line. It is very risky and puts the club in the difficult position of being forced to continue mass marketing to generate operating revenues as opposed to focusing on service and member satisfaction.

### GENERAL MANAGER'S FORUM

The response to the challenge to General Managers about Sexual Harassment was nil. It is a sensitive subject that no one wishes to respond to or sexual harassment does not happen in the clubs of America. I think that no one wishes to address the question to the CLUB INSIDER! Since that appears to be the case, the following case question relative to sexual harassment is being reprinted with the permission of OPERATIONAL PROBLEM SOLVING, copyright Richard A. Lyles, Ph.D., 1993, in co-operation with Faust Management, Inc. of San Diego, California. We challenge you to study and respond to it! Use it as a learning tool at your club.

#### SEXUAL HARASSMENT CASE

One of your employees comes into your office one morning to report the following about a co-worker named Susan:

Susan had been at her work station the previous day when she was approached by a supervisor from another area. He walked up to her and asked: "Do you want to know what I dreamed last night?" Her answer, as she continued to work out, was the equivalent of, "No, not really," trying to be polite under the circumstances.

He allegedly said: "This," reached over and kissed her on the mouth. Startled, she bolted into the women's locker room. She went home that night still shocked by what happened. She came in the next morning and told the co-worker the story. The co-worker is respected by everyone and is trustworthy.

Susan told the co-worker she had been friendly with "the kisser" before, but didn't think her friendliness would lead to this kind of behavior. She is a new employee finding her way in the company. She is fearful of retribution by him and also doesn't want to be seen as a troublemaker.

The co-worker has heard rumors of "the kisser's" behavior in the past, but to his knowledge, no specific incidents have ever been brought out in the open. As club manager, how do you handle this situation?

Send your written action recommendation to: CLUB INSIDER, P. O. Box 671443, Marietta, GA or Fax to: CLUB INSIDER NEWS - 404-993-9698.

### COMPUTER NETWORK & BULLETIN BOARD

The CLUB INSIDER is examining the idea of installing a Computer Network & Bulletin Board for subscribers who wish to be centrally linked to others through computer network. The service would provide those enrolled with the ability to present problems for group discussion, make announcements, list job search and placement information and in general, to stay in touch with others around the country who are in the club business.

Look for more in future editions of the CLUB INSIDER!

# What Business Are We In?

By David Hall and Scott Staples

If a stranger approached you and asked "What business are you in?" you as a part of the club industry would probably reply, fitness, health club or some similar answer. About ten years ago, frustrated with choices in advertising media, member attraction, member retention, and staff training we hired a psychiatrist to give us a profile of who is attracted to our club and why.

What he shared with us was more than we expected and caused us to re-examine what business we really in. We needed to know what made our business really work and how we could improve it.

In the hope you too can benefit as we did, here is the "formula" he shared with us.

Most people have two main "arenas" in their lives, home and work. These two are most meaningful because here is where individuals are affirmed and psychologically reinforced for who they are and what they do.

If they are unhappy in either arena then they are stressed. Maximum stress occurs if they are unhappy in both arenas and in either case, one or both, they are motivated to "escape" and seek a "third place." The "third place" can be the corner tavern, their fa-

vorite restaurant, the golf course, or more appropriate to us — their local club. In order for their escape to be successful it must have four essential elements.

1. First and foremost it must be perceived as being fun. (Emphasizing your staff's technical expertise many give your members the impression you're running a hospital.)

2. It visually can't look like home or work or it will remind them of both of these places and they can't complete the escape. (Clubs that look like someone's family room have less chance for success).

3. There must be a base of common familiarity. When they arrive they must find something familiar. (They know the type of business, the bartender, the way the third green lies, the aerobics/fitness instructor, etc.)

4. There must be a constant element of change. (This is no doubt the most difficult challenge of the four. Disney World, Sea World and amusement parks are exciting on the first visit, but people generally don't want to revisit them unless something "new" is added. For us in the club industry, this change must be an ongoing process.)

Armed with this new perspective we began to look further into the dominant motiva-

tors that prompt our members to join and stay with our club. Since most people have an identity which is in great part based in their occupation and their "success" is often measured by quantitative "results," they are already psychologically conditioned to that pattern. Our "work ethic" societal values often further reinforce this pattern with an unspoken message. If you work and contribute, you are OK. If not, then it is not a zero but a negative and you're slothful and lazy.

Although new retirees most often have difficulty with this preconditioned view and new found leisure time, it permeates the go go baby boomers and most other working people.

In essence, to gain fulfillment, our members psychologically needed to have quantitative measurements and measurable results to give them the feeling of accomplishment and to reward their involvement.

Back to the drawing boards we went, this time with input from two psychologists. We asked them "What techniques can we employ to better serve these social and psychological needs?"

The first responded with the suggestion of unconditional love. If you and your staff genuinely love your members (not necessarily approving of all their actions, eating habits, etc.) but al-

ways accepting them in a loving way, then you send a message certain of great results. Your club is not just a place for the fit and trim, the hardbodies or the beautiful people. (Who of us could survive on that small percentage?) But rather the club is inclusive more than exclusive. It is a place for all ages, body sizes, and physical capabilities. Our staff function then broadens to one of acceptance, more specifically, an unconditional acceptance. We accept them as members, no matter where they are in their progress, and we begin working with them to achieve measurable results relative to where they begin and what they can accomplish.

Our second psychologist brought us the power of affirmation. That sincere and genuine approach which socially and psychologically reinforces the member for continual involvement. Instead of a subtle reprimand for a two day a week attendance, our staff started saying things like "Good job Dan, now let's go for three visits next week and even better results." We began to understand the power and results gained from genuine and sincere cheerleading in a professional and loving way. Our most popular aerobics instructors and our most sought after fitness trainers were not necessarily the most

technically skilled physiologists, but rather the most skilled and loving cheerleaders and affirmers.

The members, however, may not even recognize or acknowledge their own true motivations to want to be with these people or involved in this process. Many members throughout much of their lives have offered "socially accepted reasons" for behaviors driven by other motivators. "they're not lonely, in need of attention, want to be loved, or need meaningful involvement — they're coming to your club for their health!"

So when a stranger approaches and asks "What business are you in?" you probably won't hear me say "we're really in the business of socialization, affirmation, and psychological reinforcement through a physical fitness medium in a fun way." WHEW! We'll just know, and hopefully better serve because we know.

*(Editor's Note: David Hall and Scott Staples are the owner and General Manager of the LifeCenter Plus Fitness Center in Hudson, Ohio. I am happy to see that they have identified this "Third Place" environment because I have been teaching the concept for 15 years! In February, look for words from Warren Werthimer who teaches and believes that creating a caring culture and loving relationships with your members is very important.)*

# How To Avoid Employee Payroll Problems

by Rick Caro, MBA

All aerobics studios, athletic clubs, park departments and adult education programs need instructors to deliver their services. But most facilities probably don't need these services 40 hours a week. Part-time instructors can be classified as company employees or independent contractors. Which status balances your needs with those of your instructors?

## Independent Contractors and Taxes

Clubs have a long history of dealing with the independent contractor issue with tennis and racquetball pros, massage therapists, physical therapists and martial arts instructors. In the past, both sides thought there was an advantage to the independent contractor status because it saved on taxes and appeared to have no down side. This may no longer be true.

The independent contractor receives her negotiated amount of compensation in full and is responsible for filing her own payroll taxes. A contractor who earns \$20 for a class gets a check for \$20. Technically, she must file a certificate with her local town or county

to do business under her own name or a business name. Also, she is required to take out her own Workers' Compensation Insurance policy. She must give the facility owner either her Federal Identification number (if she formed a corporation or partnership) or her social security number (if she formed a sole proprietorship). At the end of the calendar year, she will receive a 1099 form indicating the total dollars received as an independent contractor at that firm. These forms are filed with the IRS.

For the employer, the major benefit to classifying instructors as independent contractors was a payroll tax savings. In many states, these taxes can add 15% to each person's pay. For example, if an instructor were an employee, the employer would be required to pay the employers share of the Social Security taxes (almost 8%), Federal and State Unemployment Insurance and Workers' Compensation Insurance. Depending on the state and each company's rates, an employee earning \$20 per class can cost the facility another 15%, or \$3, for a total of \$23 per class

taught.

An instructor's qualifications for independent contractor status have come under great scrutiny in recent years. For example, most Workers' Compensation Insurance carriers actually visit a facility's premises annually to audit the payroll and independent contractor payments. If the independent contractor never provides a certificate of insurance to the facility, the cost of the insurance will be charged to the company as if she were an employee.

Further, the definition of a true independent contractor has been clarified over the years, and today most instructors do not qualify. The key is control. Technically, the facility cannot control anything the independent contractor does. The instructor cannot be required to wear a uniform, teach in a certain manner, use specified music, teach a certain type of class (for example, low-impact aerobics), make a club announcement or follow any set policies of the facility.

Theoretically, this instructor would be so independent she would be viewed as a lessee or renter. She should be responsible for marketing to find her own stu-

dents, printing class and marketing materials, and collecting her money from each participant. Then she should write a check to the facility in the form of rent. This is not the way the arrangement typically works in most fitness businesses.

## Company Employees

Let's look at the other side. From the manager's point of view, an employee can be controlled. He can be required to:

- represent himself in a certain way (for example, wear a uniform or name tag, and be on time)
- attend certain training sessions
- teach in a specified manner, using facility music

All fitness businesses want to retain clients and encourage members to be more than aerobics-only users (or worse, Tuesday-only low-impact class users). The employee can become an "arm" of the facility, encouraging members to take other appropriate classes, use the fitness equipment, engage in cross training and attend social functions.

Employees are likely to

be more committed to a specific facility than an independent contractor is, and this may translate into a different type of service to the class participant. Employees can be:

- integrated into the rest of the club staff
- sensitized to a member-service orientation
- more easily offered other duties and responsibilities

There is one other issue involving commitment. Technically, a facility may ask an instructor to sign an agreement of noncompetition within a limited number of miles from the site for a certain length of time. An instructor would understand this noncompetition requirement at the time of hire and either sign it nor not. An independent contractor could never be asked to sign such a document, since his status would prevent him from having to attend sessions where training specific to the facility would be offered, and from using proprietary information in his classroom instruction.

An employee is likely to negotiate at the time of hire and at specified intervals; after 6 months or on the anniversary date of hiring. An independent contractor is able to

(See Rick Caro page 11)

# The Frog's Deadbeat Bulletin The Monster We Created

Once Upon a time, there was a Wide Mouth Frog hopping down a country road. He came upon a field. And in the field there was a Mare with her colts. The Wide Mouth Frog croaked loudly, "What do you feed your babies?"

The Mare whinnied, "I feed my babies milk, oats and hay." The frog croaked "OH H H H H H H H" and hopped on down the dusty road.

Soon the Frog came upon another field and in the field he saw a cow. The frog boomed, "What do you feed your babies?" The cow mooed, "I feed my babies milk, oats and hay." The Wide Mouth Frog croaked "OH H H H H H H H" and hopped on down the winding road.

Then, the Wide Mouth Frog came upon a stream and spotted a big, black snake. The Frog, opening his huge mouth, shouted, "What do you feed your babies?" The snake hissed, "I feed my babies Wide Mouth Frogs." The Frog, with tight lips, whispered out of the corner of his mouth, "Is that Soooo?"

The Wide Mouth Frog story is not just my "down home" trademark story that I've told with vigor and animation for years; rather, the saga of the Wide Mouth Frog is important to club owners and operators because:

- 1) A lot of us have a perception that everyone we encounter is benign.
- 2) We usually don't recognize danger before it's too late.
- 3) When we seek help in making deals, we often don't ask the right people the right questions.

**Caveat Emptor** - Let the buyer beware!

The Cates Club Insider News will publish The Frog's Deadbeat Bulletin each month as a service to our subscribers. We hope that you who've had these unfortunate experiences will share what you've learned, hopefully blowing the final whistle on the deadbeat person or organization responsible. Folk lore has it that Gods often speak through Frogs and Snakes. In this column, you will speak through the now enlightened Wide Mouth Frog, sharing your wisdom. Anonymity upon request. Here are a couple of true stories.

The FROG'S DEADBEAT BULLETIN wants to sound the alert about a guy in South Florida named BRIAN HOMAN. Here is a true story about what just one unloyal employee can do you.

Brian Homan was the General Manager of The Quad-



angle Athletic club in Coral Springs, Florida for three years. During his tenure as the G.M. at the Quadrangle Club, the owner, Dean Kachel had indicated a willingness to Homan to make him a partner in the ownership of the Quadrangle Club. However, Kachel at the time was completing an SBA Loan and found out that he was not allowed to dilute the stock ownership due to the SBA requirements. In lieu of stock, Kachel provided Homan and the key staff members with an incentive program which consisted of 50% of the cash flow of the business.

Two months after the profit sharing plan was installed, Kachel was approached by one of his club members, who stated an interest in buying Kachel's club. However, the price that Kachel was asking was too high. Shortly thereafter, Homan teamed up with that member to develop and build a new, 20,000 square foot free standing club costing nearly \$2 million. The new club is now open and located just 1/2 mile down the street from the 14-year-old Quadrangle Athletic Club.

A number of things happened which prompts the FROG'S DEADBEAT BULLETIN to be focused squarely upon Brian Homan. Homan resigned from his job at the Quadrangle stating to Kachel that he was leaving to move to North Carolina to become a principal of a women's only club. Within 5 days, Kachel learned that Homan and Kachel's club member were negotiating the purchase of a piece of land just 1/2 mile away. Just prior to Homan's departure, mysteriously, both the Fitness Director and the Front Desk Supervisor resigned after working at the Quadrangle for four years. Today the Front Desk Supervisor is employed at the new club. Within six months the aerobic coordinator and three instructors left to go to work for Homan at the About Fitness Club. During the approximately six-month pre sale period for the new club, Homan made numerous slanderous and nasty comments to

people including the statement that his objective was to "put Dean Kachel" out of business! It was only after Kachel's lawyers had threatened Homan with a lawsuit that Homan stopped running down Kachel in the community. Even the week of the opening of the new About Fitness Club, Homan made a phone call to the Quadrangle club to tell the staff members that he had gotten his certificate of occupancy and was opening on Monday, December 27th! The day before he opened, Homan called the Fitness Director for the Quad, John Freehling, at home and told him to come to work at About Fitness before it was too late!

This experience with Brian Homan has been very damaging to the family and business of Dean Kachel. The fact is that Kachel has spent 14 years serving this upscale South Florida community and he has survived while over 20 other clubs in the greater Fort Lauderdale area, including six other clubs in the town of Coral Springs, have folded. Dean is a dedicated industry veteran who is now in the process of a major expansion and remodeling program. He is dedicated for the long haul of the task of providing his members with a quality club. It is a shame that he and his family has been subjected to this abuse by Brian Homan.

Remember the name Brian Homan. He will most likely be in the job market before 1994 is over. Do yourself and your club a favor by looking out for this guy... he might hit your club next!

Story after story can be told about bad deals. If you are willing and wish to share your unusual situations with the rest of the industry, write to: The Frog's Deadbeat Bulletin, c/o Club Insider, P.O. Box 671443, Marietta, Ga. 30067-0025, or call 1-800-700-2120 and ask for The Frog!

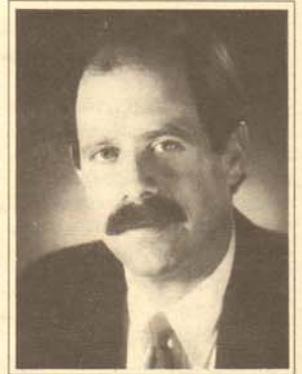
By Neil Sol, Ph. D.

When was the last time you went to a major department store and negotiated on the price of a lawn mower you needed to buy? Or for that matter when was the last time you haggled for a discount on a computer or even a haircut? Chances are, you as a consumer have never received a discount from the stated price of these items or services from the retailer. It probably never has crossed your mind to even ask for one. Then why are we, as sellers of health and fitness services and club memberships, so willing to discount, lower, or eliminate our prices? Why is it that the same buyer who never asked for a discount on a lawn mower is certain to ask a club sales person for a less expensive fee for a membership. Typical comments club sales people hear are: "What will you really sell this membership to me for?" Or "The club down the street charges this, but I really like your club and would rather be a member here. Will you match your competitor's price." Under these circumstances and with a need to make a sale, many clubs will "cut a deal."

Why do we do this? In my opinion club owners/managers and other industry professionals just exhibit low self esteem. I used to believe that discounting occurred for business reasons such as cash flow. The fact that the business of selling memberships is highly competitive, but so is the business of selling lawn mowers, computers and haircuts.

I also used to believe that we discount because people didn't really need a club; that they could just buy a pair of running shoes and take to the road. We believed that if we can make a potential member feel like they were receiving a special deal on membership that it would better entice them to join. But why doesn't lawn mower, computer sales people and hair stylists feel the same way? People can cut their own hair or use a calculator, pencil and paper instead of a computer.

I am now convinced that our manipulation of prices and fees is a result of a diminished self confidence in our product. We ourselves believe that health and fitness is a luxury item bought with discretionary income. That since we believe this we need to



**Sol**

sweeten the deal and negotiate on price. It is interesting that some of us in our industry believe that health and fitness is not a necessity and that lawn mowers, computers and haircuts are? Some believe that our products and services such as quality supervised exercise, fitness assessment, weight control programs, swimming and tennis lessons, wellness education, and athletic leagues that improve one's vitality, appearance and well being are not as important as a well manicured lawn. There is something wrong with this way of thinking. Where did we get this idea? Why do we eliminate fees? Why do we lower our monthly prices to levels below that of a fast food meal for two? Don't we believe our services are worth more?

We do it to ourselves. We have lowered the price of health and fitness to compete. As a result, we can not offer the client/member our best because our best would cost more to provide than the fee they have paid. Thus, we offer a cheapened product. Consumers realize this, then develop a feeling that our product is cheap and should be purchased for an inexpensive price. Usually for less than it is quoted. We... yes, we, the industry has created this vicious cycle — this monster.

In the current health care environment in our country our products and services will increase in their importance to the consumer. Preventive health and fitness will be in demand. Now is our opportunity to re-establish our self confidence, our price, our self esteem. I am not suggesting that we gouge the consumer on fees, but I do believe our efforts are worth more than \$12.99 per month.

*(Neil Sol is the President of the Houston-based Health Advantage, Inc., a firm which provides services to hospitals, health & fitness centers and corporations).*

# HIRE THE BEST

By JoAn Mann & Mike Burnette

**"H**eaven has made one an excellent soldier; of another it has made a dancer or a singer and player on the lyre."  
-Homer

**O**ne of the most important steps—some would say the most important step—to building a successful business is hiring the right people. PREP Profile Systems helps you recruit and hire those "right" people and avoid those who seem right in an interview situation then disappoint in actual performance. Then once you've hired the "best match" candidate, PREP Profile Systems will help you train and coach that person effectively for optimal performance and team interaction.

PREP Profile Systems is based on nearly ten years of research on successful and unsuccessful employees. We feel confident we have statistically identified personality trait patterns that are significant indicators of potential success in many different job categories. Our clients tell us that the people we recommend usually work out—the people we caution against, "never" work out.

PREP Profile Systems has been researching the athletic club and hospitality industries for seven years to help identify specific important success criteria for more than a dozen key positions.

The Cascade Athletic Club in the Gresham, Oregon area has used PREP since 1986. They found PREP to work well in helping them select salespeople and have identified key personality patterns for positions such as fitness instructors and front desk staff that help build a consistent, customer service focus for their members.

The Saw Mill River Club in Mt. Kisco, New York has used the profiles to help them in hiring their management team as well as coaching employees and resolving personality related conflicts. Healthtrax in New England, The Beverly Hills Racquet and Health Club in Detroit, and the Thoreau Club in Massachusetts have used the profiles in team building as well as hiring.

In all, PREP Profile Systems counts some 45 clubs among their clients and has an active data bank for fourteen key club positions including:

Accounting/Administrative (Back Office Staff)  
Accounts Receivable Staff  
Aerobic Instructor  
Aquatics Instructor/Lifeguard  
Childcare  
Department Manager  
Fitness Instructor (Floor Person)  
Food/Beverage Prepare (Snack Bar/Server)  
Front Desk/Reception Staff  
Housekeeping/Janitorial  
General Manager/Owner  
Programming/Activities Staff  
Racquet Sport Pro  
Salesperson

The basic instrument of the PREP Profile System is the Personal Strengths Profile. It was developed by JoAn Mann and Dr. Sam Houston to measure several dimensions of personality.

Put simply, the Profile measures who you are, who you are trying to be, how much stress this is generating in your life, your expectation level, and how much long term energy reserve you have to cope with the stress level. We also provide an index of the first impression a candidate makes—valuable for assessing an interview as well as the impression the applicant will make on guests.

The system is ideal for club application. Key management staff responsible for hiring, coaching and maintaining teams are trained and certified to administer and interpret the Personal Strengths Profile on site. PREP's office is available to assist with advanced or complex interpretations. The surveys are available in either a self-contained version or a metered computerized version. The self-contained Personal Strengths Profile automatically creates a brief interpretation. The computer software—presently available for Macintosh computers—generates a complete 17-page personality report.

Different profiles suit different kinds of work. Very "exacting" people, for instance, do well as bookkeepers or organizers but are not as comfortable in a front desk role.

The PREP Profile Systems personality system identifies four primary elements that give us a window into any individual's personality.

The four elements are the Controlling, Outgoing, Relaxed and Exacting traits. The four opposite or "countertraits"—Supportive, Introspective, Urgent and

Generalizing—are also measured.

The Personal Strengths profile also measures communication and problem solving styles.

Some people naturally tend to be more objective in their communications, others more personal. Flexibility in communication style is an especially valuable asset to a successful salesperson. It is of less use to, say, a hands-on equipment repair person.

Problem solving can be intuitive or systematic. An intuitive problem solver may be most comfortable in an environment of rapid change while a systematic problem solver's strengths may lie in bringing order to chaos.

Unlike some other personality measurement systems that "put a person in a box" of a single trait, our Personal Strengths Profile gives a detailed picture of the relationships of these traits in a given individual's personality. We might, for instance, characterize someone's Natural Style as "Outgoing and Generalizing" (the countertrait to Exacting) with a pretty strong Control trait and some Urgency (the countertrait to Relaxed).

Of course, the Profile generates a very precise, numerical version of that narrative, almost like voice print of their personality. Administrators are trained to recognize these traits in others and in how to deal with them effectively in a trust building way.

The computerized report gives a thorough description of the person's trait combinations that make up their unique profile.

Besides simply demonstrating whether the applicant possesses one of the basic personality profiles important to success, it also allows administrators certified in the system to identify key interview questions for the top candidates, so interviewers can better understand the chemistry match between the job, the candidate and the supervisor. With current employees, the system lets you do more effective coaching, team building and member service.

For more information about using PREP Profile Systems products, please call us at 503-382-1401 or 1-800-628-9632.

# Brave New Ways

**C**hicago, IL - Chicago-based Brave New Ways, Inc. has established an innovative, interactive training and education program which provides creative, longterm sales strategy to the athletic and fitness industry. Through its proven effectiveness, Brave New Ways, Inc. has become the authoritative source for guidance in all facets of the athletic/fitness business, particularly in the areas of service, membership sales and account management.

In developing its "Sales Survival System," the ideas and programs of owners, operators and managers of fitness and athletic clubs were studied closely in a multitude of environments. The system covers daily routines to organize a sales and marketing approach, pricing strategies, appointment tactics, and effective letter writing skills designed to increase guest traffic, corporate presentations and member referrals. The system provides the framework to achieve the sophisticated sales standards insisted upon by Fortune 500 companies.

The 1 1/2 day program is truly interactive, with role-playing sessions for practical business situations, as well as available follow-up help with the implementation of course materials

through an 800 number hotline.

Company founder and president Ann Marie Klarchek has utilized her backgrounds in marketing, sales, fitness and interior design in the creation of Brave New Ways. Her skills were acknowledged recently by trade publication Fitness Management, which awarded it prestigious NOVA7 award in Operations Management to Chicago's Sears Tower Club, a Brave New Ways client, for a service training video produced by Klarchek. She has now edited the tape, "Teaching Service," for use by the general fitness industry. The thorough, 31-minute animated production includes a multiple choice test recommended for all fitness club employees. The tape is particularly effective for hourly employees who may turn over quickly and miss basic (common sense) training. It is available for \$199.00 with a ten day satisfaction guarantee through Brave New Ways.

"There are a lot of health and fitness facilities which try to be sophisticated solely on the merits of their design, or by the type of equipment they use," says Klarchek. "These are important things, but clubs sometimes neglect to make their sales regimen as rigorous as their health regimen." Brave New Ways just points management in the right direction to create and realize long-term business goals in the fitness industry."

## ...Rick Caro

*continued from page 9*

renegotiate at any time.

What are the issues for the employee? An instructor is likely to be part-time worker unless he assumed duties other than teaching. If he amasses enough hours as a regular part-time employee, he might be eligible for the company's group health, dental and life insurance benefits. He may be entitled to a free club membership for himself and his family.

If it becomes clear that the employee status is most appropriate, the question of deductions arises. An instructor should consult his accountant, especially if he receives a paycheck from more than one facility and has a spouse who also earns a paycheck. He may elect to take more or fewer deductions to create the maximum amount of take-home pay during the year to avoid waiting for a tax refund the following April.

### Quality Vs. Taxes

The choice between independent contractors and em-

ployees has become more complicated. All owners would like to limit their taxes. Owners should consult their professional advisors to determine the risk of audit and getting caught because of misclassification. Retaining an instructor as an independent contractor with its obvious limitations on control and commitment—then getting taxed later for an employee—is an undesirable alternative.

Many fitness businesses are simply accepting the tax costs and hiring instructors as employees for all the reasons already mentioned. They want instructors to be an integral part of their member service team and to see themselves as more than "guest-shot artists." The philosophy of the facility's owners often governs this decision.

(Rick Caro, MBA, has spent 19 years in the health club industry and is president of Mangement Vision, Inc., a consulting firm that provides management expertise to clubs, real estate developers, hospitals, resorts and hotels. Management Vision is based in New York City. (212) 535-7870. This article was reprinted with the permission of Idea & Rick Caro)

# The 10 Most Common Sales Mistakes

By Brenda Abdillo

1. Giving prices over the telephone. This is clearly the most controversial sales issue in our business. The best way to decide on this issue is to look at your numbers. If you are closing 70%+ of your incoming calls to appointments and 90% of your appointments are showing up, then you don't need to change the way you handle incoming calls. If, however, your stats are considerably lower (I see about a 30% closing ratio on average), then you will

want to get yourself a new telephone script and stop giving prices over the telephone.

2. Allowing the prospect to control the interaction. The 90's consumer is more demanding than ever. Somehow in an attempt to be more low-key and service oriented salespeople, we gave up control of the interaction. If the prospect says "I'm in a hurry," we quickly give up key parts of the selling cycle in an effort to accommodate him. A confident salesperson would have replied "Well it does take 20 or so

minutes to really show you the club. Do you have 20 minutes now?" The fact is both the prospect and salesperson lose if the prospect has control. Of course, the easiest way to control any conversation is to ask well thought out QUESTIONS and feed information back to the prospect.

3. Giving trial visits to non-trial prospects. There are two main areas where trial visits are being used. One is very effective and should continue, and the other is deadly to the sales process and should be stopped immediately. The first and smartest use of trial memberships is the area of marketing. This is when clubs offer a one-week trial (or similar) in a direct mail campaign or in an advertisement. This is the #1 way to market without discounting and is very effective in developing interested buyers. The second use is when a prospect comes in to see your club and has NOT come to you by way of an advertised trial and you offer one to them. The prospect who comes in to see your club needs to make a "yes" or a "no" decision. Allowing him to use the club for free devalues the club and seriously interrupts his ability to make that decision. Offering a prospect a trial AFTER the tour is a selling crutch not a selling tool.

4. Using obsolete sales techniques. Brian Tracey states that "...a true professional salesperson closes 70% of the sale before showing the product." I believe this to be especially true in our industry. An "Old School" salesperson spends all of their time and energy on the close and the

objections. A 90's professional spends his energy on the needs analysis and then closing comes naturally.

5. Talking too much. In an effort to fully inform and even educate today's buyer membership consultants sometime go on "automatic pilot" with their mouths. This problem is most apparent on the telephone OR using the same speech at each area of your club tour. You are definitely in need of a new approach. Try asking questions of the prospect and talking only 20% of the entire interaction.

6. Finding out INTERESTS instead of NEEDS. One of the reasons that we often talk too much is that after talking to the prospect a little bit we feel we know what they want and so we proceed to tell them about the club. The INTERESTS of the prospect, such as aerobic, weights, convenient location, basketball, etc. are only the tip of the iceberg for an expert salesperson. The fact is that SOMETHING brought that prospect in to see you, today. That something is a NEED. You'll know when you're asking the right questions because you will get answers like weight loss, self esteem, recent divorce, age, etc.

7. Being too enthusiastic. In the past we learned that we couldn't possibly be enthusiastic enough when selling health and fitness. I think we had to be in order to compensate for the clear lack of interest on the part of the public. Now the public is a bit more knowledgeable about our industry, so it's time to temper our

enthusiasm a bit. Today's sales professional is low-key, trustworthy, well informed and maybe a little bit passionate about fitness—but not over the top.

8. Using the same tour for every prospect. This habit is one to break immediately. Each prospect has different needs and interests. Your tour should be customized to each potential buyer. Get out of that rut and change your tour.

9. Trying to educate the buyer. When a prospect is in your club, you can either sell them or educate them. Not both. Of course, we need to know everything about the club but the information is to be used very selectively. Generally, our intention is to sell and retain by educating. We can't do all of that in one sitting. The best approach is to make the sale and then have some system for incorporating the member into the club. The gigantic job of educating the buyer BEGINS with the sale but is ultimately the entire club's responsibility.

10. Poor time management. The latest statistic is that salespeople spend approximately 20% of their entire day selling productively. This is probably even lower in our industry because of the number of easy distractions in a club environment. I suggest that salespeople constantly ask themselves this question. "Is what I am doing now going to result in a sale?" The categories are easy — incoming calls, outgoing calls, referral calls, tours by appointment or walk in, corporate prospecting and networking. Everything else can wait.

## CLASSIFIED ADVERTISING

### WELL ESTABLISHED HEALTH & RACQUET CLUB FOR SALE

Profitable club, established for 9 years in growing Georgia mountain area, 9000(+sq. ft., fully equipped facility including sauna's, steam rooms, whirlpools, weight room's with LIFE cardiovascular equipment, free weights as well as circuit equipment from BADGER, aerobic room, nursery, 800(+) members, very strong corporates and much more. Will sell business alone or with real estate. For more information please call (706) 754-1059 and ask for Greg. OWNER FINANCING POSSIBLE.

### SEEKING GENERAL MANAGER POSITION

Seeking position of General Manager of upscale, executive club. Ten years experience in health club management. Excellent track record at premiere clubs in the industry. Ability to design and execute successful marketing programs. Strong skills in customer service and people management. Willing to relocate with good opportunity. Contact Mark Schmidt at (704) 948-0471.

### CLUB FOR SALE

Profitable Health & Racquet Club for sale in South Central Pa. 20,000 square feet. 500 members. 8 racquetball courts. 2 tennis courts. Nautilus and more. Excellent lease. \$125,000. Call Jim at (717) 392-4194.

### CLUB FOR SALE

Upscale 44,000 sq. ft. Tennis, racquetball and fitness club for sale in upstate New York. Three indoor tennis courts, one outdoor tennis court, three racquetball courts, Nautilus, Stairmasters, Lifecycles, free weights, aerobic room, bar and lounge area, furniture and tanning units. Five acres of land. Fourteen years old and well established. No debt. \$595,000. Contact Jeff Mueller - (518) 664-4278.

### FOR SALE USED RACQUETBALL COURT PANELS

We have all the panels and hardware to build 5 racquetball courts. \$1,000 per court or make offer. Call Johnny Crist at (404) 381-8544.

# Executive Insight<sup>®</sup> Helps Westbay Athletic Club

By Norm Cates, Jr.

Gerry Bowes is a former executive from the medical world who owns and operates the Westbay Athletic Club in Bradenton, Florida. The Westbay A. C. began its 6th year of operations on September 1, 1993. The club was formerly known as the Westside Health & Fitness Center but had closed down before Gerry bought it, remodeled and reopened it.

Gerry Bowes has a team of people at Westbay which includes his wife Herta, himself and three other key players. He was seeking a "guiding force" to help him and the others look at their business more carefully when he went to the IRSA Convention in San Diego last April. Featured at the convention was a 1/2 day workshop conducted by Dr. Gerry Faust and his son Stephen. The workshop was a short

version introduction of EXECUTIVE INSIGHT. The Executive Insight Program is a business diagnostic system which allows the club owner and their team to examine their business and identify key clues that help identify problem areas and define the changes necessary to make improvements. After the workshop, I had a discussion with Gerry Bowes in which I encouraged him to invest in the purchase of the EXECUTIVE INSIGHT PROGRAM which has been created by Dr. Gerry Faust and Will Phillips of Faust Management Corp., a San Diego based business management consulting firm. Gerry made the investment and this story is about his satisfaction with that decision.

After returning from the IRSA Convention, Gerry began to implement the E. I. Program. His first step was to set up a meet-

ing with his team. They listened to the audio tapes and followed carefully the instructions in the E. I. package. During the E. I. diagnostic process, the participants select "clue cards" which describe the characteristics of the business. These clue cards are then placed into categories which helps to clarify issues and the cause effect relationship between them. The patterns revealed in the E. I. cards form a mosaic that helps all participants understand their organization and select priorities for action. Gerry says: "Dr. Faust predicted that we would be able to find and agree on one priority problem through this process and we did." One of the challenges in any business is to sort the wheat from the chaff and recognizing the important in the midst of all the urgent things we do. Executive Insight leads you step by step to a clear understanding of your

business and to the one or two key issues that need your attention. Bowes says: "Executive Insight is a real eye-opening experience!"

After a careful examination of the many areas in which he could improve his business, Bowes says that "lack of focus" was the first area that he and the others addressed. After three and one half months of weekly meetings, Bowes and his E. I. Group began to see real progress. They set up standards and goals of the club which had been set for the team. Bowes explains: "A funny thing happened. While we focused our work and efforts initially on the #1 priority, we found that the work we had done on that priority actually corrected other items on our priority agenda without ever directly addressing them." He explains that this weekly work with E. I. changed the culture of his organization and caused a lot of "give and take" amongst the team

members which had previously been lacking. He also says that the E. I. process helped him to work with the strengths of his team members to the best advantage of the club.

Gerry Bowes' Executive Insight work has been going on for nearly ten months now and he doesn't plan to stop. He explains that the weekly E. I. meetings have taken the place of staff meetings because the E. I. process facilitates much more teamwork and co-operation. In summary Bowes says: "The E. I. Program has helped each of us better understand and appreciate the other's job. It has helped each of us deal with the weaknesses of the business and to value the input and ideas of the others to a greater degree."

The EXECUTIVE INSIGHT PROGRAM is a product of The Faust Management Corporation of San Diego, California. To learn more, contact Stephen Faust (619) 536-7970.