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# THE Club Insider

## NEWS

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

FEBRUARY 2003  
VOLUME 10 NUMBER 2



Left to right: Pete Opresko, Chuck Osterink, Matt Carlen, Karl Droppers and Fran Silvernell

## The RDV Sportsplex

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# THE Club Insider

## NEWS

### The RDV Sportsplex

#### Orlando's Crown Jewel Sports & Health Complex

By: Norm Cates, Jr.

The RDV Sportsplex in Orlando, Florida looks like the Pentagon from a distance. The \$50-million, 365,000 square-foot sports and fitness complex sits magnificently adjacent to I-4 near downtown Orlando. In the Disney land of dreams, the RDV Sportsplex stands proudly as one of America's greatest health, racquet and sportsclub creations. Beyond that, the Sportsplex serves Orlando and central Florida as a sports entertainment mecca.

The RDV Sportsplex was a vision and brainchild of Bob Vander Weide, now President of the Orlando Magic and CEO of RDV Sports. In 1991 when the DeVos Family (Amway Corporation) purchased the Orlando Magic NBA Basketball Team, Vander Weide moved from Michigan to Orlando to help operate the organization. After spending some time in Orlando it became apparent to Vander Weide that there was no comprehensive family health and fitness complex in the Orlando area. An idea was born in Bob Vander

Weide's mind that is now a reality: The RDV Sportsplex. Vander Weide's vision was to create a facility that would not only house the Orlando Magic practice facilities and corporate offices, it would also provide the community with a world class sports and health complex. And, world class it is.

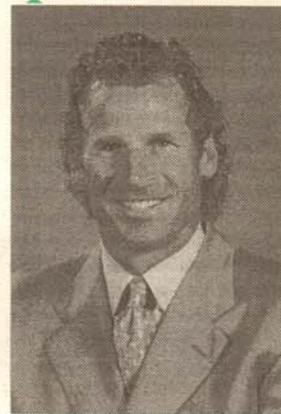
Bob Vander Weide stayed in touch with Karl Droppers, a friend in Grand Rapids, Michigan, who owned and operated the Lakeshore Athletic Club there. Together, Vander Weide and Droppers assembled the concept, bringing together conceptually all of the pieces of the RDV Sportsplex that are in place today. Through the \$50-million investment in a partnership by the Richard DeVos Family and Florida Hospital, the dream became a reality in the RDV Sportsplex. After several years of planning by architects and consultants, ground was broken in February, 1998; and after 18 months of construction, the dream became a reality. Today, Bob Vander Weide, serving in his capacity as President of the Orlando Magic, oversees player planning and procurement, long-term strategic planning

and new business thrusts for the team. He also was key in bringing professional women's basketball to central Florida with the WNBA, Orlando Miracle. Vander Weide was named Orlando Magazine's "Orlandoan of the Year" in 1997 and serves as the Chairman of RDV Sports Team Charities.

#### Comments By Bob Vander Weide

In the Spring 2002 edition of Sportsplex Illustrated, the terrific RDV Sportsplex magazine, Bob Vander Weide explained the difference between the RDV Sportsplex and health clubs. Vander Weide, "We don't see ourselves as a health club; it's a component thereof. We started with a bigger picture - healthy fun, not a health club. RDV Sportsplex provides a whole host of healthy sporting opportunities that are far greater than what you would say is a health club. And we wrap around this identity, some basic words: learn, laugh, cheer and play. Not many buildings are designed like RDV Sportsplex,

where activities occur in full view instead of behind closed doors. You can walk around the perimeter and see someone like yourself. You say 'Hey, I can do that!' That exposure is very important to our purpose." Vander Weide continues in Sportsplex Illustrated, "From a professional standpoint, a key objective of RDV Sportsplex is to attract families. That doesn't mean a mom and dad and two kids. Family can mean a single parent and a child, and many other derivatives. We offer opportunities for all ages, young and old, and fulfill the needs of many different types of people. For example, starting with the very youngest, Kid's Stuff is a 15,000 square-foot activities center that gives parents a safe, fun place to leave their children while they take time out from their busy schedules to do something for themselves that's healthy. You see fathers and sons on the basketball courts, husbands and wives taking spinning classes together, parents ice skating with their kids, and grandparents taking swimming classes. There's camps, leagues, educational classes, rehabilitation programs and the list



Bob Vander Weide

continues."

Vander Weide shared a very personal comment with the Sportsplex Illustrated readers, "But RDV Sportsplex has greater significance to me. I come from a family whose blood line is not very good from a health standpoint. My father experienced massive strokes when he was in his early 40's. When I hit 40, I took a step back and asked myself, 'What's my health lifestyle?' I realized I was headed down the same path as my dad. I began a journey to (See RDV Sportsplex Page 10)

## Paul Toback Takes The Helm At Bally Total Fitness

### A Bally Total Fitness Historical Review and In-Depth Interview With New Bally Total Fitness CEO, Paul Toback

By: Norm Cates, Jr.

Bally Total Fitness is the largest health club chain in the world in both numbers of clubs and total annual revenues. Presently, there are 25,000 Bally Total Fitness employees

in the U.S. and Canada. And, to say that Bally Total Fitness, with its 425 clubs serving four million members is the classic "900 Pound Gorilla" of our industry would be an understatement.

Before this interview with Paul Toback, let me

provide some history on the Bally health club chain. The origin of BTF was an assemblage of regional health club groups put together by Donahue Wildman and Roy Zurkowski. Wildman and Zurkowski headed an organization called Chicago Health and Tennis which was a dominant force in the Chicago area in the late 70's and early 80's. They began an assemblage of regional club groups including Holiday Spas in California, Vic Tanny's in New York and others, to create an organization call the Health and Tennis Corporation of America or HTCA. HTCA's

primary thrust was to provide the additional membership sales tool of reciprocal memberships across the country. Beyond that, there was no centralized business operation of any note. The regions were generally allowed to "run themselves" independently with one objective and goal in mind..."getting the gross."

Along came Bally Entertainment that acquired Chicago Health and Tennis from Wildman and Zurkowski, and left them both on easy street for life. While the giant entertainment corporation had the wherewithal to shape and

mold the giant health club chain, it lacked the vision and the leadership to do so. In the early 90's, former Detroit Lions pro football linebacker, Mike Lucci, was named CEO of Bally's health club chains. Prior to that time, the chain of clubs still operated under their respective regional brands. There had been no combined marketing energy or brand name identity until under Lucci's tutelage, Bally Entertainment changed the name of their 300+ health clubs to Bally Health Clubs.

The Chairman of Bally (See Paul Toback Page 6)

#### Inside The Insider

- "As I See It" - Raising The Bar In Advertising
- What an Opportunity!
- Healthy Inspirations Adds Doctors
- Thinking Outside The Box
- Body Training Systems Update

## ● Norm's Notes ●

• America is being inundated with news messages about the "obesity epidemic" and if there has ever, ever been a better time to be in the health club business, I'd like somebody to fill me in. A true sea change, an enormous movement toward weight loss is gathering steam and all of you are in a terrific position to cash in on our society's most dangerous health risk. CASEY CONRAD, the Founder and President of **Healthy Inspirations, Inc.**, a chain of weight loss centers, now has a full three-year headstart on the rest of the health, racquet and sportsclub industry. Casey has over 60 Healthy Inspirations weight loss centers now and is projecting that she will reach 100 by years end. Let me tell you about Casey, just in case you don't know her. She is one smart entrepreneurial young lady and she is really onto something big... and, it can also be really big for club owners that want to move their clubs up to the next

level. Check out the article on page #16 and her ad on page #17. And, other big industry players are getting into the weight loss act. At IHRSA San Francisco, AUGIE NIETO, the guy who started what is now **Life Fitness** by selling **LifeCycles** out of the back of his van, will be holding a press conference on Friday, February 28<sup>th</sup>, at 4:30 p.m. in Room 300 of Moscone Center South. Augie will announce his plans for the launch of a new nationwide system of medically-based weight loss centers. And, Bally Total Fitness is rolling out their own weight loss program, which features the exclusive use of the **BodyGem indirect calorimeter**. Check out the Bally historical review and Paul Toback interview that begins on page #3. Even the newly elected **Governor of Georgia, Sonny Purdew**, the 1<sup>st</sup> **Republican Governor in Georgia in 131 years**, has announced a weight loss challenge for himself per-

sonally and any Georgia state employee that wants to join in. At this writing, over 1500 state employees have voluntarily signed up for Purdew's challenge. Last December, the **U.S. Surgeon General's Office** issued a national alert in clear and no uncertain terms that **obesity in America** had reached "epidemic" proportions with approximately 61% of the U.S. population, 170 million people, either obese or significantly overweight! That folks, is a lot of people. And recently, **Dr. JULIE GERBERDING**, head of America's **Center for Disease Control (CDC)** said on CBS TV that, "The biggest problem we face in America is not terrorism... The biggest health problem we're facing is obesity." The giant **TSUNAMI** like wave of obesity publicity in North America represents a **HUGE OPPORTUNITY** for commercial health, racquet and sports club owners across North America and the world.

we thank them and those of you that subscribe very much! Also, **Life Fitness** has announced that they have become the exclusive distributor for **StretchMate**, a Holliston, MA.-based company and they announced that **DAVID WEATHERLY** has been appointed as the company's new Vice President of Atlantic subsidiaries. In the newly created position, Weatherly will be responsible for the continued development of the Austrian, Benelux, German, Italian, Spanish and UK subsidiaries' strategic objectives, business processes and management team. Weatherly will report to **AAT VAN WINKELHOF**, **Life Fitness' Executive Vice President/General Manager International**. Among other events they will sponsor at IHRSA San Francisco, **Life Fitness** will co-host and sponsor the **Global Industry Summit** and the **Keynote Speaker** for the Summit will be **ANN RHOADES**, one of the five founders of **Jet Blue Airways**. She will speak on: **How People Centric Cultures Pay Big Dividends: Lessons From Great Companies.**



*Norm Cates, Jr.*

nic Associates helping me there at the Booth, **Ms. STEPHANIE VRANAS**, who is getting her Masters Degree at the University of San Francisco and **Contributing Author, BONNIE PFEISTER**, a Co-owner and Manager of **Club Legends Fitness Center** in Valdosta, Georgia, will also be helping at the Exhibit. Be sure to bring your checkbook so you can buy or renew your subscription to **The CLUB INSIDER News!**

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• Speaking of **Life Fitness**, the giant fitness equipment manufacturer is kicking some serious butt through our challenging economic times with annual sales now in the \$450 million range: And, it is no wonder. **Life Fitness** has a team of people that keeps the company on the leading edge of research and development. They also have a bang-up sales team and awesome after-the-sale-support. **Life Fitness** makes products that don't break down and don't wear out if properly maintained. In a recent announcement by **Brunswick Chairman, GEORGE W. BUCKLEY**, (**Life Fitness' Parent Company**) commenting on **Brunswick's 29% increase in revenue to \$928 million for the fourth quarter**, he said "Looking at the year, all businesses contributed to our excellent results. For 2002, we reported a 19% increase in earnings per share on a 10% sales gain, primarily due to higher marine engines sales and double-digit growth in fitness equipment." Take your checkbook with you to San Francisco and support **Life Fitness** and all of our other advertisers shown on this page and in this and past editions, because they make this work called "**The CLUB INSIDER News**" happen every month and

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• **IHRSA's 22<sup>nd</sup> Annual Convention and Trade Show in San Francisco, Feb.26<sup>th</sup> - March 1<sup>st</sup>** may be in full swing by the time you get your hands on this newspaper. So, if that is so, keep an eye out for me. I will be wearing one of my "trade-mark" hats and if you spot me anywhere, I would sincerely appreciate it if you would stop me wherever I'm headed and introduce yourself to me. I will be at my **Exhibit Booth #635** during limited hours because of all that is going on, but I will have some

**IHRSA Convention, RICK CARO**, "the man with the plan" when **IHRSA** was founded over 22 years ago, has assembled a distinguished panel of financial analysts for the annual **Industry Analysts Panel**. The **Caro** presentation will include analysts: **JASON FISH**, President of **Capital Source**, **JOHN MAXWELL**, Managing Director of **BMP Paaribas** and **ANDREW ZARNETT**, Managing Director of **Deutsche Bank Securities**. **Caro**, the acknowledged  
*(See Norm's Notes Page 5)*

### ...Norm's Notes

continued from page 4

club industry financial expert world-wide and President of New York City-based **Management Vision, Inc.**, will present the panel on **Wednesday, Feb. 26<sup>th</sup>**, from 4:00 to 5:30 p.m. at the Moscone Center.

• **GEOFFREY DYER**, one of our "Mates from down-under" and Founder and President of Tampa-area **Lifestyle Family Fitness Center** chain, has announced that he has secured a deal for their 17<sup>th</sup> location. The new 28,000 sq.ft. facility will be built in a former Jacobson's Department Store site and is expected to open in late 2003. Geoffrey and his partners now have the largest privately held co-ed fitness chain in Florida and are

expanding aggressively in the Tampa and Orlando areas. For the last 4 years, my good friend Geoff has served on the **IHRSA Board of Directors**. And, for the past year and a half, Geoffrey has served extremely well as **IHRSA's 21<sup>st</sup> President**, following another Floridian, the one-and-only, **JOE CIRULLI**, who was **IHRSA's 20th President**. **Congratulations and Gooday mate!**

• **Congratulations also** to the lovely **SANDY FRANCO**, co-founder and co-owner with husband, Ron, of **Franco's Athletic Clubs** in Mandeville and New Orleans, Louisiana, as she has been elected to serve as **Vice President of IHRSA**.

• **PAUL TOBACK** is the new CEO and President of **Bally Total Fitness**, having replaced **LEE HILLMAN** late

last year. Paul and his **Communications V.P., JON HARRIS**, were kind to provide us with a very in-depth interview for this issue and if you didn't check it out beginning on page #3, you should. **Toback**, a relative newcomer to this industry, appears to be a truly "quick-study" and is shepherding **Bally Total Fitness** through some less than perfect economic times that we are all enduring. The **Bally T.F.** stock is hovering at around \$6-\$8 and the organization experienced a 14% increase in net income, but had a decrease in new membership sales in 2002. But, all the players and components for continued future success are now in the hands of **Paul Toback** and his **Executive Management Team**. **Toback** commented last week, "The past year produced growth in our personal training business and membership dues, which were offset by a disappointing decrease in new member sign-ups at our same clubs." I have been watching **Bally Total Fitness** very closely over the past 20-years (long before it was called **Bally Total Fitness**) and I can say this. **Lee Hillman** started the turnaround of the giant **BTF**. And, I predict that **Paul Toback** and his **Team** will be very successful in continuing that effort. **STAY TUNED**.

• **KEN NAVARRO**, CEO of **Healthtrax**, the **Glastonbury, CT.**-based club company, has announced the opening of the 41<sup>st</sup> facility, a 35,000 sq.ft.-community wellness center in **Germantown, Maryland**. A 42<sup>nd</sup> facility of the same size will also open on **April 1<sup>st</sup>** in **Bethel Park, PA**.

• **HARVEY "We're not going to Albuquerque" SPEVAK**, continues the charge of club growth for the **Equinox Fitness Clubs**, a **Manhattan-based upscale club company**. The company is raising another **\$35 million** for the addition of **7 more clubs**, giving them a total of **22 locations**. The financing is being led by two private equity firms, **North Castle Partners** and **J.W. Childs Associates**, which together paid a reported **\$150 million** for a majority stake of the company in late 2000.

• Last month I wrote about a **Crunch Fitness** postcard that was mailed to **Atlanta area Gold's Gym** owner **GORDON JOHNSON's** neighborhood. **Gordon** had promised to send a letter about it for publication and the postcard and the post-card. I promised to publish **Gordon's** letter and the postcard and they appear on page #6.

• I recently heard from two old club industry friends that I've missed catching up with for a while. **DEAN WALLACE**, of **Eugene, Oregon**, one of our industry's greatest operators, spent 22 years building the now 6-club **Courthouse Athletic Club** chain (he started with 2) from a 6-figure loss to a 7-figure profit. **Dean** left that role in **August, '02** and is now available for a new challenge as well as for consulting challenges. **Dean** also has served **IHRSA** and the health club industry well as one of its **IHRSA's Board Members** for the past 3 years. **Dean** may be reached at: (503) 581-5135.

• The other old friend is industry veteran and former **IHRSA Board Member and President, LARRY KRIEGER**. **Larry** is now **V.P. of Development** for **Club Connections**, a new company that provides clubs with the ability to award bonus air miles to members when they work out regularly. **Larry** will be exhibiting the **Club Connections Program** at a **Hospitality Suite at the Marriott Hotel in San Francisco** or you can pick up one of his information fliers at my **IHRSA Booth #635**. To see their 15 minute presentation on the easy to implement web product, contact **MIKE DOMBROSKI** at: (415) 272-8222 or email: [mike@sportsladders.com](mailto:mike@sportsladders.com)

(See Norm's Notes Page 16)

### The Club Insider News Contributing Author Team

The 2003 **CLUB INSIDER** News 2003 Contributing Author Team is listed below. Our thanks to all of our authors for sharing their expertise and taking the time to write for **The Club Insider News**.

• **Karen D. Woodard** - President - Premium Performance Training - (303) 417-0653  
• **Dr. Gerry Faust** - Founder and President - Faust Management Corp. - (858) 536-7970

• **Michael Scott Scudder** - President - Fitness Focus - (505) 751-4236

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• **Rick Caro** - President, Management Vision, Inc. - (212) 987-4300

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• **Colin Milner** - V.P. Sales/Marketing - Founder & CEO International Council on Active Aging (866) 335-9777

• **Rudy Fabiano** - President and Design Director - Fabiano International (973) 746-5100

• **Tom Lincir** - President - Ivanko Barbell Company - (310) 514-1155

• **Pete Moore** - FitnessInsite email: [Pete@FitnessVentureGroup.com](mailto:Pete@FitnessVentureGroup.com)

• **Mike Campetelle** - (860) 487-5905

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Box 681241, Marietta GA 30068-0021 • (770) 850-8506  
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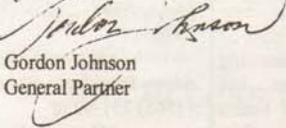
Dear Norm,

Crunch Fitness recently damaged our industry image in the neighborhoods and homes of the Vinings and Buckhead communities of Atlanta. I hope you can see fit to publish the accompanying direct mail piece that was received by my family, my neighbors and all the good people of this part of Atlanta that can influence the perceptions of our business.

Most of us in the fitness business have sought for years to overcome the stereotypical image of low rent fitness clubs. We club owners are integral parts of our communities and have sought to enlist the business community into accepting our industry as a legitimate player. Now, Crunch Fitness seeks short term sales with an appeal to the prurient. How sad. And to accomplish their aims they stick this junk in the mailboxes of our communities for all the families, children, grandchildren, neighbors, bankers, lawyers – on and on – to see and form judgements (no pun intended) on the fitness club industry.

I am understanding enough to know this was not a Bally corporate decision to mail this garbage but I also understand that a paid employee sees permissiveness to mail this trash in a corporate atmosphere where community citizenship is not a value. I hope that by bringing this to the attention of the industry at large that Bally/Crunch will make it clear to all within their ranks that this is not in their and our best interest.

Sincerely,

  
Gordon Johnson  
General Partner

**WE DON'T CARE IF IT'S  
BONEY, SQUISHY OR EVEN SYNTHETIC,  
WE THINK IT'S BEAUTIFUL...**



**...Paul Toback**

continued from page 3

Entertainment, the late Arthur Goldberg, had a vision for the health club chain. His vision was for the Bally chain of clubs to become a profitable, reputable business. But, that vision was being substantially held back by repeated events across the country where Bally did not act in the best interest of its members and the industry. By 1994, the Bally chain management had started to get the idea that the behavior of their employees in virtually all regions was costing them a pot of money every year. They even launched, under Mike Lucci's watch, an effort to re-brand the Bally clubs under the new name of Bally Total Fitness and simultaneously rolled out a national campaign to make Bally Total Fitness clubs an "Oasis" for its members, a kinder and gentler Bally health club chain, if you will. Well, that didn't work either. Kinder and gentler didn't "get the gross."

By 1995, the Bally Total Fitness chain of clubs had landed them in quite a bit of issues, and frankly, nearly led the Company on the very close road to bankruptcy. Not to mention, they began to affect the environment for all other health club operators throughout the U.S. Also, by 1995, The **CLUB INSIDER** News had been in publication for two years and had devoted a significant portion of its ink during those first two years to report the many escapades of the Bally health club chain. And, it was that year that this publisher and author wrote a letter to Bally Entertainment Chairman, Arthur Goldberg, suggesting that he divest the Bally club chain from the parent company, known for its gambling casinos and its slot machines and other gambling equipment.

We urged Goldberg to spare the rest of the health club industry from the industry reputation damage that his 300+ clubs were causing. Approximately six weeks after my letter was sent to Goldberg and published for the world to read in The **CLUB INSIDER** News, Bally Chairman, Arthur Goldberg announced that he was "spinning off" the health club chain from the parent company and creating a new corporation which became Bally Total Fitness, which would be dedicated

to turning the giant club chain around and adopting an entirely new approach to the business. Not long after that it was announced that Mike Lucci had been terminated as the CEO of Bally's health clubs and that Lee Hillman, a CPA and Arthur Goldberg protégé, had been named as the new Bally CEO and President.

Immediately upon arrival, Lee Hillman stepped up to the Bally Total Fitness plate and tried something new that no one else had tried at the giant health club chain. **DISCIPLINE**. Hillman started by telling everyone from his top management right down to the greenest new hire that he was not going to put up with further violations of State laws or company policies. And, he made it vastly clear that those caught in violation of the Company's strict policies would be summarily dismissed from employment at Bally Total Fitness. And, Hillman stuck to his guns. After pledging in an interview with yours truly here at The **CLUB INSIDER** News that he "pledged to enforce his new company policies at all levels" he did just that, firing many top and mid-level managers and others who failed to comply.

This writer has used the analogy of "turning around a giant oil tanker out at sea" when describing the huge task that Hillman faced in his Bally Total Fitness turnaround challenge. I cautioned the observers in the industry that while I was absolutely convinced that Lee Hillman's heart and mind was in the right place, the huge challenge of turning around the corporate culture of the giant Bally club chain would: (1) Not be easy and (2) would take time. But, Hillman persisted and change Bally Total Fitness he did.

In fact, Lee Hillman accomplished a significant change in the Bally Total Fitness culture. And, he began to show the entire industry how creative initiatives, facility and equipment improvements and in general, operating like business people, could improve the company. With the ongoing help and hard work of his Executive Management Team and in particular, Bally Human Resources Senior Vice President, Harold Morgan, Hillman began to carve out some respect from those in the health club industry that were watching Bally with a close eye. That respect showed

(See Paul Toback Page 12)



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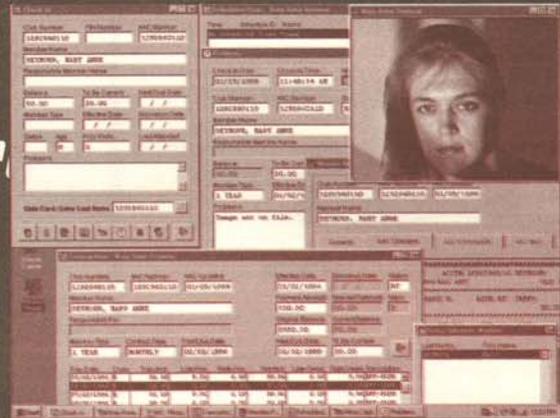
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# “AS I SEE IT”

A monthly fitness industry opinion column by Michael Scott Scudder,  
 published only in “The Club Insider News”

## “RAISING THE BAR IN ADVERTISING”

After reading Norm's comments in January's “Club Insider News” Norm's Notes (where he refers to Gordon Johnson's outrage over the *Crunch Fitness* ad which absolutely denigrates women - see page 6), and my own disgust over a couple of recent chain gym ads in the Dallas-Fort Worth area - one likening out-of-shape people to the rear

end of a mule - I decided that this month's column ought to be about “standards,” or maybe, the lack of them in this fine industry of ours. This is gonna be a bit of a rant... 'cause I'm ticked! **AND YOU OUGHTA BE TICKED TOO!!**

But first, one *has* to ask, **WHAT** are these club chains (and obviously, their high-priced advertising agen-

cies) thinking? Do they *really* think that the club market is ALL babes, thongs and hard-bodies? Are they *that* dim-lit that they do not understand the greater markets available to health and fitness facilities all over the nation? Do they even *care* about people...or is it *just* about selling another membership?

And, you know, as respectful as I am of IHRSA and what it has generally done for quality in our business, it's high time that IHRSA got in the groove and called for some *standards of advertising in our industry*. ‘Course, that's gonna be pretty hard to do when one of your major club organizational members is the *very same company* that puts out the *very ads* we're referring to!

Here's the problem, folks: advertising like that just *kills* the image so many of us have been trying to build for the club business over the years. I mean, ask the average person out there on the street, and they think health clubs are lean-mean-brawn-and-beauty. Is it any wonder? What has the industry done overall to censor the crapola that keeps coming out of some sectors of our business?

Anybody who knows me will tell you that I ain't no prude! (Some can remember my earlier stay-out-all-night-then-go-deliver-a-seminar-in-the-morning days in this business.) But enough *is* enough! **IT'S TIME TO RAISE THE BAR!**

It's time to:

- Stop advertising “stuff.” (Example, we have treadmills, we have classes, etc.)
- Stop advertising sex-drugs-rock ‘n roll.
- Stop with the cheap-message, starburst junk that appears as health club marketing in almost every newspaper in this country!
- Stop advertising low-price specials.
- Stop thinking that the club membership market is still dominated by youngsters totally

wired in to sex in advertising!

Instead, we *could*:

- Start messaging to the various groupings that make up *all* of health club membership - kids, seniors, Boomers, on-the-rise Gen Xs and Gen Ys, women of all body types and ages.

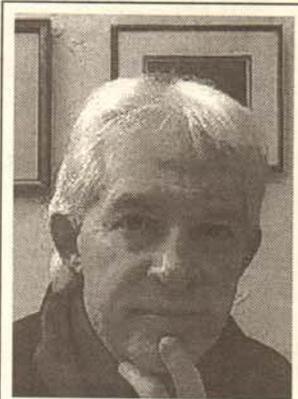
- Enhance our industry image overnight by *talking* to the people we want to attract rather than trying to sell the club in the ad. (Any even half-baked advertising guru will tell you that you have to speak to me in *my* language, not yours, if you hope to attract me to your facility.)

- Start selling programming, exercise-appropriate messaging, age-obvious graphic representations, weight management, stress reduction, etc. It doesn't take a genius to figure this out!

And...isn't it time, once and for all, that we, as a whole industry, **STOP DISPARAGING WOMEN** in our advertising? (Doesn't make sense anyway. Women make up better than half of the memberships in this nation, and represent the fastest growth arena in our marketplaces.)

I just looked at a major trade magazine, known and revered by all in this business. *No less than half* of their thirty-some major ads depicted young, fit women in scanty clothing, selling everything from fitness equipment to supplements. C'mon **IDEA - IHRSA - Club Industry - Fitness Management** - clean up your act too! Tell your advertisers what you will and won't accept from here on out. Or...*is it just about money for you, too?*

Think about it: we are on the verge of a “wellness revolution” (as Paul Zane Pilzer calls it in his great book of the same title)...a total upheaval of the way we, as a nation, think about and deliver health care, insurances and prescriptions for being well. Do you for a moment believe that we will be



Michael Scott Scudder

viable as an industry-image, and even be *selected* for HMO, PPO and insurance company referrals if we keep up with this smut in advertising?

When you raise the standards of an industry, you go through some pain. But on the other side is a stronger, more believable, more trustworthy, better-imaged business platform...from which we can all benefit, and through which the citizens of the world will begin to recognize *who we really are*...not who we show ourselves to be.

As my old friend Jerry Jeff Walker put it in a song so many years ago: “Be careful who you pretend to be...what you pretend is exactly what you'll be.”

(Michael Scott Scudder, a Contributing Author for “The Club Insider News,” is a 28-year veteran of the fitness industry. He is managing partner of the newly-formed Northwest Club Services, a club management training company based in Taos, New Mexico and Fort Worth, Texas. He can be reached at 505-690-5974, by email at [scuddertour@directway.com](mailto:scuddertour@directway.com) or on his web site at [www.scuddertour.com](http://www.scuddertour.com))



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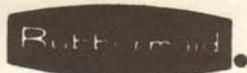
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### ...RDV Sportsplex

continued from page 3

transform my personal health using the facilities, equipment and expertise available at RDV Sportsplex, starting with Florida Hospital practitioners performing a full evaluation of my health. A plan was mapped out and over time I've turned my health around 180 degrees. Not only do I work here. I am passionate about what it represents. I am living it."

#### *An Interview With Karl Drovers, Vice President RDV Sportsplex*

The RDV Sportsplex day-to-day operations are in the capable hands of Karl Drovers, Vice President, RDV Sportsplex and Sportsplex Ath-

letic Club Director, Matt Carlen. We contacted Karl and Matt to learn more about the RDV Sportsplex.

**Q.** Karl, tell me about your family.

**A.** I've been married to my wife Lori for 19 years. We met at Hope College in Holland, Michigan and have four great kids: Neil, 15, Jack, 13, Nina, 11 and Mara, 8. It is fun to see them actively involved in our programs at RDV from swim team to the skateboard park. The facility has great interest for them and they think Dad works at a pretty cool place.

**Q.** Review briefly your career in Michigan before getting involved in the Sportsplex, particularly your experience as a coach and teacher and club

owner.

**A.** Out of college I thought I would become a teacher and coach. After a few years I quickly realized that there is not much room for an entrepreneurial spirit in the public school system, so I decided to look at what other opportunities I could find.

I had the privilege to start in the club business under two great individuals, Ben Emdin and Bruce Osterink. They gave me a chance to manage the sales and marketing for their buildings in Grand Rapids after I had completed a job doing development for a camp and retreat center for physically handicapped children and adults. Ben was the President and operating owner and Bruce was his partner. I always enjoyed seeing them work together as partners, two very different people, but excellent partners & operators.

During my time working for Ben Emdin and East Hills Athletic Club, we opened a small facility in Holland Michigan. Ben and Bruce decided that they were going to close that facility so I proceeded to purchase the operation from them and the building from the owner after 3 years of operation.

I ran/owned Lakeshore Athletic Club for 5 years before selling it in 1999. Bruce's son, Chuck, eventually came on as a partner in that business when I moved to Florida and now works for us here after we sold the facility in 1999.

**Q.** Karl, as Vice President of the RDV Sportplex, you must be a very busy man. Give us an overview of all of your responsibilities?

**A.** My responsibilities include oversight of the Athletic Club, the ice rinks and all of the building functions for Orlando Magic and Florida Hospital, our medical Partner and all retail components and tenants within the Sportsplex.

**Q.** To make all of this happen, you must have a great team. Who are your team leaders and how long have they been with you?

**A.** Matt Carlen, Director, Athletic Club, 5-years, Chuck Osterink, Director, Ice Den, 4-years, Pete Opreko, Director, Business Operations, 6-years and Fran Silvernell, Director, Property Management, 5-years.

**Q.** Tell me about the Sportplex

Community Outreach? Do you provide access to the facility for charitable events or for events intended to help the community?

**A.** Community, sports & corporate events are some of the most fun and challenging things we do. Within our first 60 days of opening this building, we hosted the Orlando Magic's black tie gala for over 1,000 people, the Red Wings were here for practice for a week and the WNBA held the first ever pre-draft camp in the club. Since then things have gotten quieter but our annual events include a road race for Boys & Girls Clubs, a community open house fundraiser for all the local school PTA's to sell admission to a day of fun for the kids in September, local organizations that do youth lock-ins or year end banquets as well.

Some of the most fun sports events include hosting the Detroit Red Wings twice, both Stanley Cup winning years for them. And, we had the "Dream Team" (USA Olympic Team) here for a week during the 2000 Olympics and the WNBA veterans camp for the '01 season.

**Q.** How many members does the RDV Sportsplex have?

**A.** We have approximately 8,000 members.

**Q.** What is your Initiation or Joining Fee? How much are the Monthly dues for singles? For couples? For families?

**A.** The initiation fee varies from \$50 - \$350 based on primary or child associate. Monthly dues range from \$22 - \$78 based on adult or child.

**Q.** Please review the "ancillary" businesses you have within the club such as the spa, personal training, food and beverage?

**A.** Major areas that we operate as profit centers include - membership club, tennis center, children's center & programming, day Spa & Salon, 2 retail stores, one for the club and one for the Ice Rink, Events planning and meeting business, Travel hockey team and figure skating academy, concession stand in Ice Rink and an in-line skating and skateboard park, "Boards and Blades."

Operations in our building that are our tenants, the Orlando Magic with full box office, Nectars Café, pediatrician, physical therapy center, Dentist, Orthopedic Surgery

Center, Executive health and screening center & Sam Snead's Tavern.

**Q.** Can you disclose how much gross annual revenue the athletic club generates?

**A.** The Sportsplex does just under \$14 million in gross revenues annually.

**Q.** How many employees do you have in the athletic club? How about in total in the entire complex?

**A.** The club employs about 200 people and the entire complex is over 300.

**Q.** To whom do you report and when?

**A.** I report day-to-day to John Weisbrod who is the COO of RDV Sports. I also report to our Sportsplex Board of Directors, and Bob Vander Weide is the President of the Board.

**Q.** Do you ever deal directly with Mr. Richard DeVos?

**A.** Mr. DeVos is often in the building working with Magic issues or touring the building with out-of-town guests who are joining him for the game that night.

**Q.** How many pieces of equipment do you have in that mega-workout room?

**A.** We have over 450 pieces of equipment in the athletic club, 90% of it from Technogym.

**Q.** The RDV Sportsplex, 365,000 square-foot complex contains a lot. How is the space divided?

**A.** Our building has 4 main areas. The club is just over 100,000 square-feet under roof, the ice rinks are 90,000 sq. ft., the Orlando Magic use 85,000 sq. ft., medical space is equal to 35,000 sq. ft. and our retail spa, salon café, meeting rooms, admin areas, and common areas make up the rest. The Sportsplex occupies 21 acres with an additional 9-acre, 9 court tennis center with clubhouse across the street.

**Q.** Tell me about the new indoor Skate facility?

**A.** We opened "Boards & Blades" the end of December 2002. It occupies about 7,000 sq. ft. Our market objective is to reach club members with children and teens from 8 - 15 years of age.

**Q.** How many parking spaces does the Sportsplex have?

(See RDV Sportsplex Page 20)

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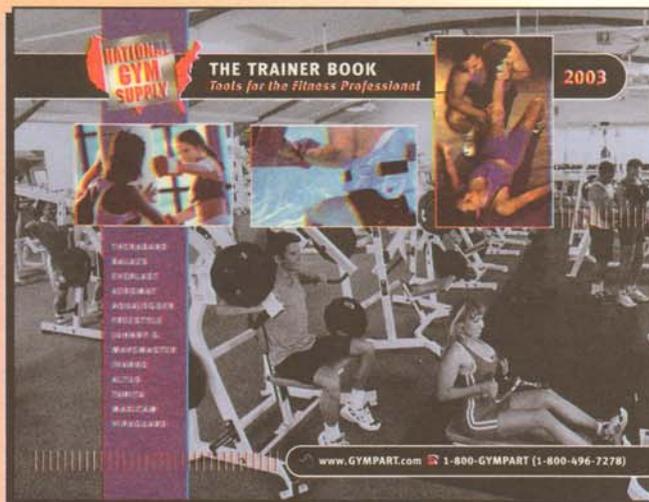
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## ...Paul Toback

continued from page 6

as Bally Total Fitness rose from a stock price of \$5 to a high of about \$32. At the IHRSA Convention March, 1999, the IHRSA Advisory Council (Founders and former Presidents of the Board) met with the IHRSA Board of Directors to discuss the possible admission of Bally Total Fitness into IHRSA. This was historical stuff for it was many of the same people in that room, including yours truly, that attended a meeting of pissed off IHRSA members at the Convention in New Orleans, Louisiana in the mid-to-late '80s, to protest the proposed admission of the Bally club chain into IHRSA. That measure was summarily defeated and the movement to admit Bally was dropped. But, 12 years later, these IHRSA leaders concluded that under Lee Hillman's new example and leadership, Bally Total Fitness indeed had changed and that the Association and the industry would be better off with Bally as IHRSA members as opposed to not.

### Introducing Paul Toback

Paul Toback was originally from Chicago, but attended Stanford University with a major in Political Science. He then attended Law School at the University of Chicago. Upon finishing Law School he worked with a big Chicago law firm for a year and a half. He then took a leave from the law firm and went to work for Chicago Mayor Richard Daley as his Executive Assistant and Chief Administrative Officer for the City of Chicago. He spent four years in that role from, 1989 to 1992. A good friend of Toback's, Mack McClarty, had been Richard Daley's Campaign Manager and went on to become the Campaign Manager for a fellow from Arkansas who was running for President. That guy was Bill Clinton. McClarty had suggested to Toback on numerous occasions that he should come down to Arkansas to work with him. In the summer of 1993, Toback went to Arkansas to work on the end of the campaign and to begin work on the Presidential transition team. Clinton won the election and Paul Toback went to the White House where he served

in the Clinton administration working for McClarty. He was McClarty's Executive Assistant during his two years as Clinton's Chief of Staff. When McClarty stepped down as White House Chief of Staff and Leon Panetta came in, Toback left as well and returned to his hometown of Chicago. He worked for a property management company in Chicago for two years until in September 1997 he was introduced to Lee Hillman by a good friend and went to work for Hillman at Bally Total Fitness. While Toback has only 5.5 years in the club industry he clearly is a quick study. More-over, he had the good fortune of working with Hillman, which accelerated his learning curve and placed him in the role of Bally Chief Operating Officer for the last two years before he replaced Hillman in December. Prior to accepting the position of President and CEO, Bally Total Fitness, Toback led many of the Company's key groundbreaking strategic initiatives, which included expanding the Bally brand inside and outside the four walls of the club, with Bally-branded fitness equipment, nutritional products, like bars and shakes, licensed small and large home gym equipment, and expanded personal training, group exercise and retail operations. He also led the effort to hire the "best of the best" with Bally's "Four Wall Management" initiative, launched in 2002.

### An Interview with Paul Toback - President and Chief Operating Officer of Bally Total Fitness

We had the opportunity to catch up with Paul Toback at the Bally Total Fitness Chicago offices and here is that interview contains some of the items we covered.

**Q.** Paul, how does your vision of the Bally Total Fitness corporate culture that Lee Hillman handed over to you work for you? Are you planning on changing it?

**A.** Some things will remain the same, but obviously, I have my own style and view of where things should go, so I think there will be some differences. When Lee came to this company. It was a different time for both the company and

the industry. This was a company that carried with it some financial troubles. It was almost bankrupt. Lee deserves the credit for turning this around financially, putting it on sound footing and making it an industry leader. I was proud to be a part of that team. Now is a different time. What we really need to do is continue to develop the brand, continue to refine our sales practices and be more aggressive in promoting the products and services we've developed over the last few years (from our nutrition line to personal training). We need to round out our service portfolio, from our nutrition line to our personal training. We have a lot to offer the health club member. We need to take that next step. Now, with the big multi-platform business that we have, it requires a lot more integration and that is what I am going to be focusing on. How the business can be run better? From a corporate culture standpoint, we continue to believe that we want to be the industry leader. We are the industry leader and we will continue to perform as such. We believe there is a lot we can do to help set the standard for the industry. Everything from the way we portray ourselves publicly through all levels of communication to the way we talk about major issues, such as the stance we take on childhood obesity and the health risks associated with being overweight, as well as being a good corporate citizen in areas such as equipment donations and charity.

**Q.** When Lee first started as CEO of Bally Total Fitness he pledged to the industry and to me in the interview for the Bally cover story that he was going to enforce the company policies and the compliance with State laws. From your perspective, what is your thought process in dealing with Bally employees that step outside the lines - that fail to comply with company policies and/or state laws?

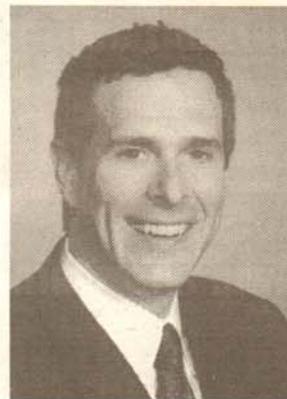
**A.** I have taken the same position on those issues that Lee did, but maybe even a little stronger. I am a big believer in corporate accountability and my mantra and how I deal with people at all levels is that I want to reward people for doing a good job. I want to help and coach and work with them to do the things you want. But, I believe that if they step outside the line, that they should

absolutely be held accountable. I believe it is actually the right thing for the organization that anyone who breaks the law should go and anybody who violates our company policies should be reprimanded or must go, depending on the severity of it. This organization as a service business relies on its reputation and how it treats its customers. If there are people who are not doing it the right way, that can't be tolerated because that hurts every single employee in the company.

**Q.** Paul, do you plan on making any changes to your current Bally Executive Management Team?

**A.** We will look at strengthening the team. But, those that are here are going to stay. I am proud of that and pleased with that, because the team we have here is really a smart group of people with a lot of experience in the industry either on the club side or the corporate side or both. People like John Dwyer, Bill Fanelli and certainly John Wildman have tons of experience in the industry. But, I do like to strengthen the team by bringing in professionals for their own expertise. People like Jon Harris here (Bally VP, Media Development and Communications sitting in on the interview) is an expert in communications and he has made a big improvement to our ability to get some free media exposure by going on things like the Today Show, the Tonight Show, the Caroline Rhea Show and the Howard Stern Show. Jon has been able to use his understanding of the business, leverage his wealth of experience and important contacts, and place our brand and experts in areas that we otherwise would not have been, probably more than any other consumer-related company today. And, we have several other top-notch professionals with unsurpassed experience at Corporate and in the field, such as our Regional Vice Presidents and Area Directors, who continue to make an enormous difference to the Company.

**Q.** Paul, in your conference call yesterday, you indicated that you are "evaluating your marketing program." My question is: In that evaluation, has it been discussed, just like Bill Pearl predicted in our August issue, whether the 18-34 market has dried out.... tapped out if you will? And, if the subject of



**Paul Toback**

a tapped out 18-34 market has come up, what solutions have you come up with that will help improve that lower membership sales number discussed in your conference call?

**A.** We are still evaluating our market and our targeting and we're looking very closely at it. As you know, the industry has a 12% penetration rate and I know that a lot of us are going after the 18-34 market. But, there are a lot of people in that age group, and it is the prime consumer buying target. But, from our standpoint, we will not give up marketing to people in the 18 to 34 because it is kind of the "sweet spot" of the target. But, we believe there are other ways to reach people in that market who may not otherwise been reached by health club advertising before. And then, I think there are all kinds of possibilities outside that target market....the older Americans... the younger Americans. For the time being, we do want to stay true to our target and true to our core and that is young, active adults and I think there is still a lot of opportunity there. I don't believe that everyone in that category that is going to join a health club has already done so.

**Q.** Let's move on to another topic covered in your conference call. You have stated that you want to get Bally Total Fitness out of the financing business... the receivable business. If you are successful in selling off all the receivables, (\$539 million was mentioned in the conference call) what perception do you think that will give Wall Street and will it make a difference with Wall Street?

**A.** I think exiting the receivable business will make a big difference with Wall Street because  
(See Paul Toback Page 21)

# The Only Thing Certain Is Change

Anything that stays the same too long starts looking old, dated, ho-hum. That's why even the most popular automobile designs are changed after a few years. That's why clubs are constantly updating equipment and surroundings to attract and retain members. And that's why Ivanko's new Ultrathane E-Z Lift Plates will give your weight room users an exciting lift. Not just urethane, Ultrathane, because these plates are "fully functional" and safer for floor lifting. Ultrathane, because they have more grip places for easier handling. Ultrathane, because Ivanko quality is recognized worldwide as the best there is.

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# WHAT AN OPPORTUNITY!

By: Ray Gordon

**WHAT AN OPPORTUNITY** to make your department - the membership department- great! Many clubs are known by the reputation of their membership staff. Make sure that your team is respected for its professionalism and the discipline required to be more than just another salesperson. Every day we get the opportunity to improve the negative image carried by the majority of people about health clubs. Americans know that they need to adjust their lifestyle to include regular exercise. They have struggled with, resisted and refused to make the necessary changes for years. The people that are coming back and giving us another chance to make a great impression are also the ones who will be credited with inspiring friends and neighbors

to become active. Membership teams are not just about selling memberships. We owe it to our non-regular-exercising new members to encourage and motivate them to improve their current exercise habits. **It is a great opportunity if you do it right.**

- **Inspect what you expect.** The membership team MUST have a daily plan of action. There are certain things that must be done daily for a team to reach its maximum potential. A team that comes to work with only the goal of writing x number of sales this month will not come anywhere near its potential. The future income level of your health club is directly proportional to the impression that the new member forms of your club. Not just when they join, but 15 days, a month, 90 days after joining. It is the responsibility of the Sales Manager to monitor daily that the system is in place
- **Properly train your**

**membership staff.** This is not just the monthly meeting to get yelled at for last month's low numbers and set goals for the next month. Analyze the managers summary every week to find areas where the team is weak or needs to be strengthened. A little basic research will inform you of a specific situation to practice on. Now that you have the theme for the sales meeting, show up ready to teach. Make sure that the sales training segment of the sales meeting is at least 30 minutes of actual sales training and not just another administrative meeting about paperwork, etc.

**Educate your membership sales team.** The Jan 20<sup>th</sup> issues of Newsweek and TIME magazine featured 18 pages packed with health information. Probably the focal point of at least one article is the new redesigned food pyramid. Researchers are promoting a complete change in the food basics that many of us were

taught, and a simple explanation can be summarized as "ooops". Yet our industry has been fundamentally correct about the necessity of regular exercise all along. Even the broad base of the redesigned food pyramid has daily exercise and weight control as a foundation. This contradiction has caused the masses of non-exercisers total confusion about the proper method of weight management and exercise. The general population is reading this information and walking through our doors feeling confused and media-educated. Therefore, it is our responsibility as health and wellness professionals to continue our education, just as it is the responsibility of anyone within the medical community. We must always make certain the information that we pass along to our staff is attained through reliable research. Provide your team with timely, accurate information. Give them the



Ray Gordon

momentum to want to learn the latest facts. I personally think I.H.R.S.A. provides the best information available with its vast resources and frequent updates through its network of professional advisors. If you are not a participating member of (See Ray Gordon Page 22)

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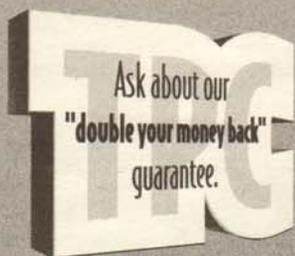
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# HEALTHY INSPIRATIONS Weight Loss Program Adds Doctors to Licensee List,

## *Grows To 60 Locations and Projects Reaching 100 Before Year-End*

### Wakefield, RI

-February 1, 2003-

HEALTHY INSPIRATIONS, the licensed Weight loss and Lifestyle Program that combines nutrition with grocery store foods, simple exercise and relaxation treatments under one roof, has hit another milestone and grown to 60 licensed locations in 17 US states and 5 countries. In addition to the United States, the program is available in Canada, Australia, Brazil and the UK and can be incorporated into an existing health club or opened under a stand-alone concept.

Current licensing sales have grown to 3-4 locations per month, with hits on the "licensing opportunities" section of the companies website ([healthyinspirations.us](http://healthyinspirations.us)) having increased dramatically, reaching over 500 per week. Rick Dyer, VP of Licensing Sales for the company, projects that the number of licensed HEALTHY INSPIRATIONS locations will grow to 100 before the end of 2003. "When we look at the dramatic number of inquiries we are getting on a daily basis from both club operators and entrepreneurs, and combine it with the increase in the number of new licensees we are adding each month, 100 is candidly a

conservative projection," notes Dyer. He went on to emphasize, however, that HEALTHY INSPIRATIONS is committed to controlled, successful growth. "Our goal is not to be the largest licensee, but rather we seek to have the most profitable and successful licensees." There's a big difference and smart operators recognize and applaud this strategy."

One of the most exciting things about the company growth for Founder and CEO Casey Conrad, is the addition of medical doctors who have opened stand-alone locations and are offering the HEALTHY INSPIRATIONS Program to compliment their own practices. In Perth, Australia, after extensive research into the HEALTHY INSPIRATIONS Program, Dr. Joanne Samer and her partner Jeffrey Lindhorst, opened their facility's doors in January. As someone who specializes in women's medical issues, Dr. Samer is thrilled about the program.

"As a General Practitioner I knew instantly that the HEALTHY INSPIRATIONS model was exactly what I was looking for in terms of a patients' needs but also the ideal business opportunity for

us. Really, it is the perfect solution to the traditional doctor's nightmare. After losing over 45 pounds myself, and learning the hard way what is involved, I was thrilled to discover that HEALTHY INSPIRATIONS had put it all together in one place. Staff undergoes quality training based on sound scientific principles and the program is constantly being updated as new information comes to light. This is not an overnight solution but rather a lifestyle remedy that ensures improved health, disease reduction and significant enhancement of self-esteem and body image. Since the New Year our facility has been swamped with clients who are ecstatic about the program. Commented one of our members, 'I'm just gob-smacked. I've never seen a center like this before where it all happens under one roof. It's looks and feels fantastic! And what's more, I am having a lot of fun in the process.'"

In Huntington, NY, Dr. Karin Burkhard and her husband, Bob Lemp, who is a Physicians Assistant, opened their facility doors in late December. When asked about the HEALTHY INSPIRATIONS Program they note,

"Our clients are very happy with the program, and the fact that we are medically directed. Every one of them is losing weight consistently; all are absorbing information about the relationship between obesity and their co-existing medical problems. So educated, they are now even more inspired to stick with the program. We are excited about the opening of our Men's Program in March, and the prospect of engaging the entire family in the process of long-term lifestyle management."

Conrad believes the addition of practicing physicians and other medical professionals will help to grow both the number of licensees to the HEALTHY INSPIRATIONS program as well as the credibility of the program. Notes Conrad.

"Almost three years ago HEALTHY INSPIRATIONS was the first weight loss program of its' kind to come to the health and fitness industry. Although there had certainly been products and short-term class formats made available to club operators, never before had there been a complete, turnkey solution that offered substantial financial returns. We may be at 60 licensees now but, with

doctors coming on board, combined with the recent proliferation of other fitness industry organizations finally launching weight loss programs, I think HEALTHY INSPIRATIONS clearly is both ready for the "weight loss boom" and is also ideally positioned because we have had three years of learning experiences under our belt to perfect operational and marketing systems. No doubt the upcoming IHRSA convention in San Francisco will prove to be a busy trade show for us."

Long-time industry consultant, speaker and author, Casey Conrad, founded HEALTHY INSPIRATIONS. She has spoken in 16 countries and has authored over 20 sales and marketing products that are in use in over 1,600 clubs worldwide. Conrad is currently responsible for the marketing and training development of the HEALTHY INSPIRATIONS Program. In addition to being Founder and CEO of the company, Conrad is an attorney, licensed in the State of Rhode Island. Visit with Casey Conrad and the Healthy Inspirations folks at the IHRSA Trade Show in San Francisco Booth #1632.

### ...Norm's Notes

continued from page 16

• **Fitcorp**, the 24-year old, Boston-based group of 13 corporate clubs, has announced the opening of their new 2-level, 31,000 square-foot fitness center in the Prudential Center in Boston. **GARY KLENCHESKI**, Founder and President and the **Fitcorp** boys do a terrific job and their continued growth is "proof of the pudding!"

• **Helping other people is truly what the health club business is all about.** And, one fine gent who excelled while in our industry is a man named **BEN EMDIN**, in Grand Rapids, Michigan. Ben built and operated for many years a very successful club called **East Hills Athletic Club** and he sold that club a few years back. During his career, Ben served

IHRSA and the health club industry well as an **IHRSA Board Member** and as **President** of the Association. Now Ben continues a lifetime of helping people. After selling his club, Ben was all set for retirement and had built a winter home in sunny Florida. But, his long-time friend and colleague, **BERT BLEKE**, became Superintendent of the Grand Rapids school district and he wanted Emdin to help him run one of Michigan's biggest and most financially troubled school districts. Not exactly stuff of retirement. But, Bleke swayed Emdin to put his retirement plans on hold, selling Emdin on the idea of becoming the Chief Operating Officer for the school district. In that capacity Ben is in charge of closing some of the schools and relocating programs, an extremely tough job, at best.

Before Ben's terrific club career, he was a teacher (May God Bless Them All!), principal and school board member, so combined with his terrific experience in the world of business, he is working hard to, as he said in a recent Grand Rapids Press article, "make a difference to the kids that are at risk. At the end of the day, that's my motivation." That says it all Ben. Good luck in that effort and thanks for being the good man you are.

• **PAUL BYRNE**, the CEO of **Precor Corporation** appears to continue to be doing great things with the company. Recently, **ROGER TALERMO**, CEO of the **AmerGroup**, the new owners of Precor, credited Precor for the 48% growth in income for the 4<sup>th</sup> Quarter and for AmerGroup's projected growth in revenue and earnings in 2003.

• **Franchise News:** **Gold's Gym International** Director of Franchising, **BEN AMATE**, has announced that GGI, Inc. has added 74 new franchises in 2002, bringing the total number of Gold's franchises to 648. **MIKE URETZ**, CEO of **World's Gym International, Inc.** experienced its most successful year in 2002 with the addition of 48 new gyms, a 12% growth compared to 2001. In addition, 10 new **World Gym Express** licenses were secured in 2002. **World Gym Intl.** presently has 302 licenses in 34 states and 13 countries. And, **Curves For Women** was identified in the January issue of **Entrepreneur Magazine** as the fastest growing franchise in the world. As of Dec. 11, 2002, Curves operated 3,778 franchises in the U.S., 370 in Canada and 42 in other countries.

• **BAHRAM AKRADI**, former **CLUB INSIDER** News cover-boy and growing industry "900 pound gorilla", has announced that he too, is entering the weight-loss arena with his own **LeanSource Program**. Akradi's 29 mega-club chain of 100,000 sq.ft. clubs hits hard when they arrive in markets and this LeanSource Program will make Akradi's **LifeTime Fitness** even more formidable.

• The folks at **Town Sports International (TSI)**, the New York City-based chain of over 125 fitness centers in New York, Boston and Washington, has figured out how to cope with the current insurance industry crisis where insurance rates are increasing rapidly in double digit numbers. They have become the first company in the industry licensed to set up  
(See Norm's Notes Page 22)

## FACT:

64.5% of Americans are Overweight and that number keeps rising.

## QUESTION:

So, why is it that only 12% of ALL Americans are health club members?

## ANSWER:

Most clubs don't offer a complete weight loss program!

## SOLUTION:

### HEALTHY INSPIRATIONS Weight Loss & Lifestyle Program

The HEALTHY INSPIRATIONS Program adds a major profit center to your club.

HEALTHY INSPIRATIONS is successfully attracting a client base that is NOT currently members of health clubs.

The HEALTHY INSPIRATIONS Program is turn-key and doesn't need a nutritionist to run.

In just over 2 years, there are now 51 licensed locations (and growing) in 16 US states & 5 countries.

HEALTHY INSPIRATIONS was developed by Casey Conrad, long time industry consultant.

HEALTHY INSPIRATIONS provides you with everything to start and successfully run the program--from help with your center design to pre-launch activities to grand opening to detailed sales scripts, and much, much more.

HEALTHY INSPIRATIONS provides you with monthly marketing campaigns, conference calls and support to drive sales.

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# THINKING OUTSIDE THE BOX: An "Exercise" for Success

*Embracing technology and looking at other industries to get fresh ideas and fast results*

By: Pete Moore

*Firedrill after firedrill* after firedrill prohibits the average operator from taking the required time to think strategically about his/her business. This is one of the major challenges of running any small business, but I believe health clubs are even tougher. The old adage, "Work Smarter, Not Harder," is difficult to pull off for the thousands of multi-tasking entrepreneurs who make up our fragmented industry.

Being involved in the health club industry over the past three years, I have learned first-hand the challenges and opportunities the average health club operator must face. After spending seven years analyzing and valuing companies, I see tremendous opportunities for health club operators to "borrow" concepts from other industries that are proven, tested and effective.

I constantly hear clients agonize over retention rates, next month's refer-a-friend promotion, the problems of hiring a new salesperson, the frenzy to get a direct mail piece out, the urgency surrounding a broken piece of equipment, etc. At times, it seems as if everyone in our industry is running 100 miles per hour as if we are firefighters ready to extinguish the next emergency while dressed in fitness attire – never able to dedicate the time necessary to think about our business to make it more successful.

By comparison, large, well-funded companies have deep resources along with Directors of Business Development, Directors of Strategic Planning, Directors of Financial Analysis, EVPs, SVPs, strategic consultants who charge \$300/hour, long-weekend retreats designed to strategize about the future, big whiteboards, and conference rooms with mahogany tables and adjustable chairs. The average club will never be able to support this type of overhead nor is it necessary – instead, we should focus on opening our eyes to

what these well-funded companies are doing and "integrate" ideas from those who are already successful at sales, marketing, and retention – you will be surprised how much we can learn and how much we can adapt to our needs.

Think about it! All the money invested in advertising by America Online (totaling a staggering \$650 million) is an open book to us. We can look through their print ads and understand their strategy to get at the masses. We have all seen their TV commercials, and we have taken a disk or two from Barnes & Noble, Blockbuster or Kinko's. What can we learn from AOL's advertising without spending \$650 million on our own?

1. **It's Easy!** Advertising should be clear regarding whatever you are selling. You should stress how EASY IT IS to get started, how EASY IT IS to learn, and how much FUN someone will have once he or she starts. Do we send that message enough in the club market?

2. **Don't Be Afraid!** The use of testimonials is not a "hunch" by AOL's ad agency in TV commercials – it is a FACT that testimonials are effective in closing sales. Consumers want to feel as if they belong. Seeing a 60-year-old woman logging on to AOL in the comfort of her home gives HOPE and ASSURANCE to other 60-year-old women watching TV that they can do it too. Remember we need to break down intimidations in the club market and fight off misperceptions – very similar to the fear of computers and the Internet for some adults.

3. **Grab Your Partner!** I'm sure over the past seven years you have seen an AOL starter disk at Barnes & Noble, at Blockbuster or at Kinko's. This is a very strategic, cost effective sales and marketing tactic that you can mimic. A health club should BLANKET local business partners with business card size "sweepstakes" cards for countertops that say "Log on to [www.sweatfitness.com/epromo](http://www.sweatfitness.com/epromo) and enter to win a one-year free membership." You will gather a staggering number of leads,

build up a highly targeted email database, and gain widespread exposure within the community. Target locations such as local tanning and supplement stores, beauty salons, cleaners, local bars, diner and restaurant counters, schools, etc. Barter when you can using memberships at your club or pay small fees for counter space. **Align With Retail Partners.**

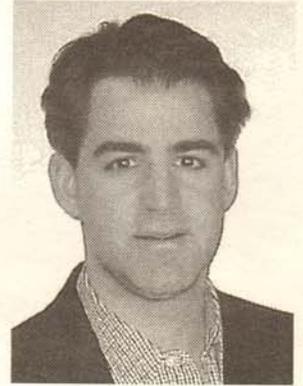
The following are five companies that have made an impact on my way of thinking in 2002, and I believe the concepts can be applied selectively to your club.

Take a look around your local community and see what people are doing RIGHT in their businesses to acquire and retain customers. Set goals for your team and do not be content with selling 102 memberships in March yet losing 98 memberships. That is a hell of a lot of work to be only plus

four!

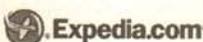
The difference between putting out fires all day long and making another \$100,000 in 2003 may only be a few small changes in how you strategically think about your business. I urge you to take the time to evaluate your operation for a full day. Go to a Plummer or Scudder educational seminar or just take a day and walk around the local mall – the ideas will start bumping into you!

*(Pete Moore is the President and Co-founder of Fitness-Insite, the leading web-based sales and marketing company in the active lifestyle industry. Prior to starting FitnessInsite, Pete was an investment professional with Brockway Moran & Partners, the majority owner of Gold's Gym International, Inc. Pete previously worked in investment banking*



Pete Moore

*at Donaldson, Lufkin & Jenrette and Chase Securities. He received his MBA from Harvard Business School and BBA from Emory University. email: [Pete@FitnessVentureGroup.com](mailto:Pete@FitnessVentureGroup.com)*

Company	Description	What They Do Right	Action Steps
	Largest interactive media company	Everything is easy; offer free trials; use testimonials; utilize retail partners	<ol style="list-style-type: none"> <li>1. Make it easy to get involved - give 14-day trial memberships</li> <li>2. Use testimonials in marketing</li> <li>3. Develop Win-A-Free-Year Promotions through your website</li> </ol>
	Largest travel site on the Internet	Send out weekly email blasts to hot lists for special travel promotions.	<ol style="list-style-type: none"> <li>1. Email clients monthly promotions through an automated email marketing application</li> <li>2. Maintain close contact with members and keep them informed</li> </ol>
	500 worldwide properties	Receptionist is always smiling, professional, and organized; have a basket of apples at the front desk	<ol style="list-style-type: none"> <li>1. Pay top dollar for a savvy, high energy receptionist</li> <li>2. Sophistication at the front desk enhances the perceived value of your club</li> <li>3. Have an apple basket at front desk to show you care</li> </ol>
	60 store chain of upscale restaurants	Attention to detail and presentation in reception area - cheesecakes lined up in glass cases; professional staff	<ol style="list-style-type: none"> <li>1. Your reception area's appearance and personnel set the tone for the prospect; invest in these areas to increase the value proposition</li> <li>2. Visit a local Cheesecake Factory and see for yourself</li> <li>3. Hire a professional to assist you in a minor renovation</li> </ol>
	Highly respected, award winning airline	Great example of a company willing to re-invent a way of thinking in a traditional industry. JetBlue knew they were in the traveling entertainment business with DirectTV at every seat.	<ol style="list-style-type: none"> <li>1. Re-think what members want to get results and have FUN!</li> <li>2. Focus on the social and entertainment aspects of your club.</li> <li>3. Ask yourself: Do you have entertainment systems in your cardio area? Do you play movies in your cardio area? Do you have a thriving group exercise program? You are in the entertainment business with fitness as the vehicle to deliver the member experience.</li> </ol>

# IHRSA's Capitol Report

## Reprinted Courtesy of IHRSA

### WHITE HOUSE BUDGET INCLUDES \$125 MILLION FOR HEALTH PROMOTION

The White House has formally released the fiscal year 2004 budget and as expected, it includes \$125 million to support health promotion efforts at the Centers for Disease Control and Prevention (CDC).

The budget request for the CDC was \$13 million less than for fiscal year 2003. However, Department of Health and Human Services Secretary Tommy G. Thompson said the agency would receive additional funds from other sources to combat bioterrorism, work on AIDS prevention, monitor public health, and conduct other work.

### CALIFORNIA CLUBS WIN SEVERAL LEGAL CASES

In no state are lawsuits against health clubs more common than in California. Recently, several clubs in the state were successful in such cases.

In one case, an 87-year-old woman sued a Burbank club for \$200,000 for second- and third-degree burns to her leg, allegedly suffered when she fainted in the club's sauna. The Superior Court of Los Angeles County in Burbank ruled in the club's favor, finding that the use of small amounts of water to create steam in a semi-dry Finnish sauna is a routine and accepted practice; that the temperature and humidity levels of the sauna were within industry standards; that the plaintiff was an experienced sauna user and accustomed to the environment of a semi-dry sauna; and that plaintiff signed a sheet acknowledging the risks of sauna use, including fainting.

In another case, a 24-year-old experienced weight lifter sued a California club for \$150,000. He claimed he was injured while using a "power rack" to perform squat exercises. As he reracked the bar, The right "pin mechanism" used to support the bar fell out, and the bar and weights fell on him,

and he suffered herniated lumbar discs. Prior to trial, the Superior Court of Los Angeles County in Van Nuys granted the club's motion for summary adjudication of issues, regarding Plaintiff's cause of action for strict liability, the reason being that the club provides recreational services.

In a third case, a 31-year-old man sued a Santa Monica club for \$250,000 for injuries suffered when he slipped and fell on moisture in the floor near the sauna and showers. A Superior Court of Los Angeles County judge dismissed the case after five days of trial, based on the health club membership agreement contained a valid waiver of the club's negligence.

### TENNESSEE BOARD QUESTIONS LAW ALLOWING YMCA TAX-EXEMPTION

A state board has voted not to remove tax-exempt status for the YMCA of Middle Tennessee, but questioned a state law protecting the organization.

The State Board of Equalization voted 4-1 in favor of the YMCA on Friday, in a case brought by six private health clubs. Charles Welch, an attorney who represented those clubs, said an appeal in Davidson County Chancery Court is likely.

YMCA spokesman Phil Newman conceded the issue remains unsettled. "We are grateful for the decision, but this being a six-year process, this may not be the end of it," he said.

Doyle Arp, the Board's lone dissenting vote, said he had a "real problem with any organization that is hiding behind a statute that goes into direct competition with a private enterprise."

Arp, Loudoun County's tax assessor, also questioned the annual salaries of some YMCA of Middle Tennessee officials: \$252,000 for the Executive director and \$120,800 for eight others.

"It raises money and says it's for charity," he said. "I think the public would go nuts if they knew this."

State Comptroller John Morgan, who is also on the Board, said the legislature's intent was clear when it passed the statute granting tax-exempt status to the YMCA, but he questioned if the law was constitutional.

"Were I asked whether or not this statute is constitutional, I would say not, but that is not my decision to make," he said.

### YMCA ASKS NORTH

### CAROLINA TOWN FOR \$500,000

The Greensboro YMCA has asked the city for \$500,000 to help pay off the \$21.5 cost of building three newly opened branches. Its President, Joe Warwick, made the request this month in a letter to Mayor Keith Holliday.

The County Commissioners have already helped

by agreeing to let the organization use tax-exempt government-issued bonds to pay for construction of the downtown Y.

Warwick said the YMCA can pay for about \$4 million with money it makes from memberships and other fees, but it needs to raise at least \$3 million from other sources to make its debt manageable.

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## ...RDV Sportsplex

continued from page 10

**A.** We park over 1,000 cars

**Q.** How did the RDV Sportsplex get its own Florida Interstate Highway exit sign?

**A.** Based on our volume of traffic into the building.

**Q.** Describe your personal "management philosophy?"

**A.** As a former athlete and coach, I hope to always work with my group as a "Team". I enjoy setting the goal and letting them have independence to achieve it with the group for their success. This facility and its programs are too big for me to not have a great group that I can trust. In everything we do I want us to succeed or fail as a group.

**Q.** How has your competition responded to the RDV giant?

**A.** As I mentioned, there were not many large multi-purpose facilities in Central Florida prior to us ever building the RDV Sportsplex. Many facilities that have niche products and programs have done OK. We probably have taken more business from the YMCA than other commercial clubs.

**Q.** Tell me your thoughts on how IHRSA helps your operation?

**A.** IHRSA has been and continues to be a great resource personally for me and for my management team.

### *An Interview With Matt Carlen, Athletic Club Director-RDV Sportsplex*

Matt is originally from Sweden. When he was 17, Matt was recruited to come to America to play soccer for Lock Haven University in PA. He majored in Physical Education. When he started student teaching he realized that he didn't want to be a physical education teacher for the rest of his life, so he started to think about what he was going to do. Since he had spent most of his youth in the gym or on the practice field, fitness seemed like a cool thing to do! So he obtained a second degree in fitness management. He started in the health club industry as an intern with The Fitness Company at their World Trade Center site and stayed with the Fitness Company for 7 years before moving to Orlando to

take the Sportsplex opportunity. Here is what Matt had to say:

**Q.** Matt, how did you get your job as the Director of the RDV Sportsplex Athletic Club?

**A.** I heard about the Sportsplex through a friend of mine that had moved to Orlando. She said that they were building the most unbelievable facility and I called and found out they were looking for a Director and about two weeks later I was here.

**Q.** How many employees do you supervise?

**A.** I have 7 Department Managers (overseeing approximately 200 total employees) that report to me. They are the Sales Manager, Marketing Manager, Fitness Manager, Sport & Recreation Manager, Member Services Manager, Retail Manager and Corporate Communications Coordinator.

**Q.** What is your average daily traffic count at the athletic club on a typical Monday?

**A.** Through the entry gate for the Athletic Club and Ice Den ice skating/hockey complex, we average about 2,500-3,000 members and non-members daily. The building total traffic is around 5 to 7 thousand daily.

**Q.** What areas of the club experiences the highest utilization factors?

**A.** Our 450 pieces of Technogym and other equipment and the basketball courts!

**Q.** Tell me about the advantages/disadvantages of having primarily a single brand of fitness equipment, Technogym, in the club?

**A.** Advantages – the uniform look, the ease of maintenance, a member or guest needs to learn only one control board.

**Disadvantages** – we haven't really found one! Our members really like the Technogym equipment. But, we also have some Stairmaster Stepmills, a FreeMotion line and some Hammer Strength equipment.

**Q.** How many group exercise classes do you provide per week? Give some examples of the classes.:

**A.** We have over 100 classes/week with everything from yoga, pilates, kick boxing, body force, abs classes to studio cycling and aquatic classes, to name a few.

**Q.** Is the RDV Personal Training business well developed?

**A.** We have been able to develop our personal training business very well. We have 22 full-time trainers whose compensation is primarily commission-based, and they are working at about 95% capacity. We have developed a very successful sales and tracking system that has helped tremendously. But, the hard part for us, as I am sure is the case with other clubs, is that we can't find enough qualified people! (Author's Note: "Hint-Hint" the Orlando area is a great place to live and work!)

**Q.** Matt, have you attended the IHRSA Conventions and Trade Shows and if so, have you found them helpful?

**A.** I have been to 10 IHRSA International Conventions

and Trade Shows and, of course, the IHRSA events that have been held in Orlando. In addition to being a terrific networking opportunity every year, I think at every convention I pick up at least 5 or more useful things that I can go back and implement, and that is what I challenge each of my managers to do as well!

Bob Vander Weide had a "vision" and the Richard DeVos Family teamed with Florida Hospitals to make it come true in Orlando, Florida. The RDV Sportsplex is filling a significant market need in Orlando and is truly one of America's premier sports and health facilities. Karl Droppers and Matt Carlen are the point men for the RDV Sportsplex and the members there are

fortunate to have their excellent management leadership.

*(Norm Cates, Jr. is the Publisher of The CLUB INSIDER News. Cates, a 29-year club business veteran, was the 1<sup>st</sup> President of IHRSA and a Co-founder of the Association in 1980/81. In March, 2001, Cates was honored by IHRSA with the DALE DIBBLE Distinguished Service Award, IHRSA's highest honor. Cates may be reached at: clubinsidernews@mindspring.com or by calling: (770) 850-8506.)*

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RDV Sportsplex Fitness Floor

### ...Paul Toback

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we really operate, in a way, two companies: a consumer finance company and a health club operating company. The consumers know us as a health club operating company. That is who we are and what we do. But, at the back of it, on the financial side, there is a large part of our business that has to deal with consumer financing. I think it complicates our story. There are all kinds of economic synergies for doing this. An example, dealing with a larger financial institution that has the ability to borrow at lower interest rates can finance at lower rates, thus making more money than at the current rates. So, there are a lot of different opportunities on the financing side, maybe

better than we do because it is really not the core of what we do. It will simplify our story, making it easier to reduce our leverage and give us more free cash flow going forward.

**Q.** So, to clarify for our readers, by "exiting the receivables business", what you specifically mean is that in the future you will continue to write contract paper, but the receivable entity will be this sought after new financial institution. Is that correct?

**A.** Yes, the receivables will either be carried on somebody else's books or they will originate the receivable. With the cash that we get with the receivables, we will be able to deliver the company and eliminate debt, allowing us to be a lot more attractive to

investors. Right now, the receivables have value, so it's like having the cash.... But I think Wall Street would rather us have the cash. But, to your other point, we still believe in our model, which is selling a contract membership because, they get this lower renewal payment which allows them to continue to stay members at a very reasonable rate for the rest of their lives. The low renewal has been the hallmark of Bally that we know that our customers like. We know that because when we compared that kind of contract vs. a pay as you go contract, we find that 95% of the time they chose the installment contract.

**Q.** That leads into my next question and that is, are there any plans to restructure your installment contracts where the renewal payments are increased getting the monthly payments up to \$20 or more per month?

**A.** No, we like it where the rates go down after the installment contract is paid off because it has been so successful. What they go down to varies and obviously depends upon the kind of membership you buy. Certainly, the model we've been using and that has been so successful is that you are paying at or near what the competition offers during the term of your installment agreement and then significantly lower after your renewal phase.

**Q.** Do you have any plans to divest any of the clubs?

**A.** Not on a large-scale basis. Sometimes we get someone that is interested in a club in a one-off situation and sometimes we take a look at those. But, we don't have any plans now.

**Q.** You mentioned in the conference call that you project an additional \$75 million in cash flow to be generated annually over the next 3 years by your newer clubs. Is that a realistic figure?

**A.** Yes, we believe it is. If you just look at the current level of cash flow that is being generated by the mature clubs. Those mature clubs, in many cases, are the older models. They have some of the older spaces with things like racquetball that may not be used as much (or have near the square-foot income production potential) as some of the large cardio areas we are putting into our new clubs. We believe that just bringing the immature base of

clubs up to the level of that the mature base is in terms of cash flow generation, would throw off that much cash in a three-year period.

**Club Insider-** Not to mention the fact that sales should be better in those new, more upscale and modern clubs.

**TOBACK -** Right. The sales should be better. The locations are better. The clubs are newer. It's a win-win-win situation. The model is more finely in tune to what the customers today are looking for. With large cardio areas, well-equipped strength training areas, group fitness classes in multiple fitness rooms. All of those things have been included in the new club model.

**Q.** Paul, please tell us about Bally's movement to month-to-month memberships?

**A.** I wouldn't call it a movement to month-to-month. What we have done for some time now, we've actually offered pay-as-you or month-to-month membership options to our customers. What we're doing is consistently keeping those options available because some customers for whatever reason like the flexibility of being able to pay on a month-by-month basis. So, we have been doing this for a little while and are continuing it. We have seen some greater acceptance of those memberships, but as I said before, I think presented with a contract or pay-as-you-go memberships, about 95% are taking the contract option.

**Q.** Why is that? Is that because of a price difference?

**A.** I would think so.

**Q.** Can you give me a ballpark cost of a three-year contract vs. a month-to-month. Would month-to-month be 2 times or 3 times as much as a contract deal?

**A.** No, it is actually just a little bit higher. Usually about \$50 more on the joining fee and \$5 to \$10 on the monthly amount.

**Q.** So, even that small amount skews them toward that 95%?

**A.** Yes, but, it is not only that. There is also the huge benefit of that lower renewal rate you get after the membership is paid off. Sure, because that is where your dues can go down to \$18, as you said, 'below \$20 per month'. It becomes so incredibly affordable. That is a very compelling reason to join Bally.

You don't get that low renewal on the month-to-month plan, which is why the majority of consumers elect to take the long-term agreement.

**Q.** Do you have plans to expand the Crunch brand?

**A.** Yes. We have expanded the Crunch brand. But, as I noted in my comments on the conference call, we are going to dramatically slow the rate at which we are building new clubs for the time being. I don't know that there will be a lot of greenfield sites, but we continue to look within our portfolio of clubs at clubs that would be appropriate to become Crunch. We've done two of those. We converted one of our Bally Sport Clubs in Manhattan to Crunch. We converted a club in the newly acquired Planet Fitness Group to Crunch in Boston. And, we converted a Pinnacle Fitness Club in San Francisco to Crunch. So, within our groupings of clubs nationwide, there are opportunities for there to be more Crunches and where those opportunities present themselves, we're going to take advantage of it.

**Q.** Speaking of Crunch, can you give me your take on the now infamous "We Want Your Butt" post card that was mailed out by Crunch Fitness in the posh-upscale North Atlanta market?

**JON HARRIS-** Yes, we read that in last month's Norm's Notes!

**PAUL TOBACK-** Yeah, I did see those comments and I did not see that postcard before it had gone out. I would say this about Crunch. Crunch has made its reputation by being an edgy, non-conforming marketer. And, I think that what they have done is obviously consistent with that formula. Within that broad spectrum of being an edgy marketer, I think there are some things that are edgier than others. It is a fine line to draw whether you become too edgy or not. But, certainly Crunch has been provocative in its history and it has been very successful for Crunch. We don't want to bureaucratize or overly force a "corporate" culture on Crunch and thereby, stymie their creativity. Otherwise, we would be doing the same thing we're doing to the Bally brand. It's kind of like having two children, one child who is a bookworm and the other child

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### ...Paul Toback

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and is outgoing, etc. You have to kind of treat them as equals, but treat them differently.

**Q.** So, I guess your Executive Management Team in Chicago probably didn't see it, did they? Didn't that come out of New York or what?

**A.** Yes, that did come out of New York. I don't know who in Chicago saw it. Clearly, with the volume of direct mail and the volume that we do, I don't see everything. But, there were senior people who saw the 'infamous' postcard.

**Q.** In the conference call you described the business as a "fixed-cost" business. If your find that your revenues don't grow as you had hoped they would, do you have areas where you could cut the cost side?

**A.** Well, I'm not prepared to announce any cost cuts. And, I don't think that we need to be at that point right now. I think that our primary focus is on generating additional revenues. We believe, as I said earlier, that the 18-34 is still an under penetrated population. We believe that Bally has a lot to offer to people in our current target because of the new, strong programs that we put together from weight loss, to nutrition, to personal training to group exercise. Our main focus is going to be on continuing to generate more people who are going to join our clubs and get people healthy. You can show our value to people who may not be health club people, but who play in the nutrition/ diet vs. other health club players, because we believe we have the best offering in the business.

**Q.** You mentioned the new weight loss program. Could you give us a quick overview of that initiative?

**A.** Sure. The weight loss is a really exciting initiative for us. Our statistics show that a large percentage of people who are joining are coming to us with the goal to lose weight. And, I recently read industry statistics that John McCarthy of IHRSA passed on that says almost everybody who joins a health club has some sort of weight loss goal associated with them coming to the club. It is an overwhelmingly large figure, which for us, is a huge opportunity. And, when you look at it, we really have in place now all the components you need for an effective weight loss program. We have the exercise component, which is compelling. We have the nutrition piece from our Rapid Results Diet System products from our ready-to-drink shakes to our meal replacement bars. And, we recently launched our Weight Management Program, which uses proprietary technology that measures an individual's metabolism rate, or the rate in which your body burns calories. When you put all of that together, we have probably the most compelling weight loss program in the industry and by the industry, I mean not only the health club industry, but also the weight loss industry. You can't go anywhere, especially this time of the year, without hearing a weight loss message. All those companies that are putting forth these messages don't really have the total comprehensive solution, because the Surgeon General has said the only way to really have weight loss is through diet and exercise.

**Q.** Let's talk about the personal training end of the business, because that's an area where you guys have done really well with what, a \$160 million a year in personal training revenues? Do you require all of your personal trainers to be certified? Who does your certification for personal trainers?

**A.** We require all the trainers to be certified. They either come certified or they have to get certification within a short period of time. We are looking at the major accrediting agencies whether it is ACE or ACSM. But, they have to have some kind of nationally recognized certification. They also have to do some follow-up training that we do.

**Q.** Let me move to another question about the initiatives you outlined yesterday. You mentioned your #1 priority was getting out of the receivables business. What would be the second most important priority?

**A.** The second one would be to continue to drive our core business in membership sales revenues. The third would be to drive our new programs; our new businesses from nutrition to personal training. The fourth, I think I mentioned, was to continue our brand development. We have done a lot on extending our brand over the last few years. We have license agreements with a company that manufactures exercise equipment and that is being sold in 3,000 stores in the U.S. and Canada. We have our nutritional line that is being sold in more than 3,000 stores outside of clubs on the west coast. We signed a licensing agreement with Life Fitness to produce treadmills, bikes and cross-trainers with us. We have a licensing agreement with

Franklin Covey for the new day planners with fitness tips in them. We have our own Bally Total Fitness Magazine that is being sold in close to 1,000 retail stores including Borders and Barnes and Noble. So, we've done a lot to make Bally Total Fitness relevant to people outside the club and also for people who are current Bally members to allow them to continue to participate in Bally Total Fitness whether they are at the club or not.

**Q.** You're really commenting on my next question, which was about your comments about slowing the capital investments in new clubs or remodeling clubs and moving instead, toward investment of what you call "Idea Capital." Expand on that for us?

**A.** From my perspective, you don't need to actually invest dollars when you have a strong brand behind you in order to grow the brand and grow your exposure and get more people involved in your company. I think some of the things Jon Harris has done in terms of getting us there with programs that we already have and getting high-profile people to participate in them, whether it be on the Howard Stern Show or the Caroline Rhea, at both ends of the spectrum, we're really investing our "Idea Capital" in talking to people in new ways and talking to new people about the programs Bally has to offer, but it is not really costing us "hard-dollars." The same with taking our name and our reputation to a license program, such as the one with Life Fitness, whose such a well-respected fitness equipment manufacturer. They're able to capitalize on our brand and that's just an idea. Its not a hard

dollar investment by Bally Total Fitness, but it is a great way for us to enter a new market category, to talk to consumers in a different way, and to meet consumer's needs outside the clubs. So, there is a whole lot of new thinking that we can do to leverage both our current members and our brand strength. I think an important strength is that we can do that because we have a large presence and great brand and I think that is one of the advantages that we have being a company with our size, our depth and our reputation.

Paul Toback, 39, is a sharp, entrepreneurial energetic and obviously driven young man. Toback truly has a tiger by the tail with the giant, 25,000-employee company Bally Total Fitness. But, I grilled him pretty hard in this interview and I feel he surely has a thorough grasp of the many parts of this fast moving company. We will stay in touch with Paul Toback and the Bally Total Fitness folks, and we wish Paul all the best as he moves into his first year as the new Chief Executive Officer of Bally Total Fitness.

*(Norm Cates is the Publisher of The CLUB INSIDER News. Cates is a 29-year veteran of the health, racquet and sportsclub industry and was the 1<sup>st</sup> President of IHRSA and a Co-founder of the Association. In March, 2001, Cates was honored by IHRSA with its DALE DIBBLE Distinguished Service Award, IHRSA's highest honor. Cates may be reached at: clubinsidernews@mindspring.com or by calling: (770) 850-8506.)*

### ...Ray Gordon

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I.H.R.S.A., don't delay; join today! The information and resources they are able to provide is priceless.

**Monitor your efforts and results.** Implementing a system of checks and balances is critical. The daily production including intangibles (phone calls, corporate outreach) needs to be transferred to the Managers report for interpretation. This should also be forwarded to the owners or any other primary staff members who may have insight or suggestions for improvement. I believe most

people work best when allowed to perform to their strengths. Identify that desirable strength and attempt to coach them to more satisfying results. However you must also identify the individual and team sub-par efforts. Motivational member calls; community outreach; corporate prospecting is not something that is done when there is free time; they are part of the membership sales person's job description. Remember that the number of new members required to support today's sophisticated clubs does not "just happen". Systems must be in place to ensure that daily membership responsi-

bilities are executed properly and completed; within the timeframe. Most important is that the systems are monitored and evaluated.

*(Ray Gordon is the Founder and President of Sales Makers, a 20+ year old company. In March, 2001, Sales Makers was honored with IHRSA's Associate Member of the Year Award. Ray may be reached at: RayGord@swfla.rr.com)*

**Make It  
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### ...Norm's Notes

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its own captive insurance company. **STAY TUNED!**

● **RETENTION** in the health club industry is probably the greatest mystery there is. If you want to hear about the most intense study (2-years) and most actionable retention research ever on the subject, plan on attending the presentation by MELVYN HILLSDON, Ph.D. at IHRSA San Fran on Friday, Feb.28 at 11 am to 12 noon at the Moscone Center.

● Let me close with this correction. Last month we incorrectly listed in our Adver-

tiser's Directory the contact email address for MARC JABLONSKI, of FitnessInsite. His correct email contact address is: marcj@FitnessVentureGroup.com or you can reach Marc at: (800) 787-3955. Check out the article by Marc's associate and boss, PETE MOORE, President and Co-Founder of FitnessInsite in this issue on page #18, entitled: "Thinking Outside the Box: An "Exercise For Success."

● To you all. God Bless You, God Bless Our Troops, Seamen and Airmen and God Bless America. And, **STAY TUNED!**

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# Body Training Systems Update

By: Norm Cates, Jr.

In a past issue we provided Body Training Systems updates that shared the terrific success Gold's Gym owner/operator, Gordon Johnson, has experienced in Douglasville and Marietta, Georgia and the success Global Fitness owner/operator John Bonica has seen in Leominster, Massachusetts. This month we reached out to Stephen Roma, Chief Operations Officer of New Jersey-based 7-club-WOW! Workout World and to Jason West, the owner/manager of the North Columbus Athletic Club in Columbus, Georgia for feedback on the great successes they are achieving with their Body Training Systems Group Fitness Programs.

## An Interview With Stephen S. Roma - Chief Operating WOW!zer - WOW! Work Out World

**Q.** Please describe your club? Size, services, when opened, etc.?

**A.** WOW! Work Out World is a family-owned and operated chain of health clubs in New Jersey. We also license our name and logo to 15 additional clubs across the world. Currently, we own and operate 7 facilities. Typically, our clubs are roughly 25,000 square feet, rich in architecture, FUN atmosphere, 80+ pieces of cardio, 70+ pieces of selectorized, 25,000 pounds of free weights, 2300+ sq.ft. group fitness studio, 50+ group exercise classes per week (with most of our classes powered by BODY TRAINING SYSTEMS programs), a basketball court, rock climbing, pilates, yoga, lots and lots of personal training, chiropractor and physical therapist on site, a juice bar, pro shop, and our clubs are perfectly clean, equipment is perfectly working and our most important asset is our super-educated, super-friendly staff of WOW!zers. WOW! is a health club like no other.

**Q.** When did you initially involve your club with Body Training Systems?

**A.** We initially started working with BTS during June of 1998, back when we only had 2 clubs. In those facilities we launched BodyPUMP. Our members loved it! Soon after, we opened another club and launched BodyPUMP at that club as well. Once again, our members absolutely loved it. When we were getting ready to open WOW! #4, we thought we were smarter than we actually were. We thought we understood Group Fitness programming. During January of 1999 we decided to stop working with BTS (because of the monthly fee), and instead we started offering PowerFlex to our members (because it was cheaper). At first glance, BodyPUMP and PowerFlex looked very similar. They both were barbell classes, with an instructor training curriculum, loud music, and even a black and red logo. Boy, were we wrong! Within 2 months time our class participation numbers dropped tremendously... PowerFlex classes were just about 1/2 that of the previous BodyPUMP classes. To say the least, our members didn't love it! The story doesn't end there, after about 3 years without BTS programming, and a few new WOW!'s, we came back to our senses. During January of 2002 we recommitted ourselves and our team of WOW!zers to BTS. We retrained our staff of Instructors and we relaunched BodyPUMP. From that day forward, our Group Fitness Department has never been the same. First we relaunched BodyPUMP, 4 months later we launched BodyFLOW, 4 months after that we launched BodyATTACK, then 4 months after that we launched BodySTEP, and we are scheduled to launch RPM within the coming months. BTS programming has forever changed what group fitness means at WOW!. WOW! members love BTS!

**Q.** Review your Group Exercise schedule and attendance numbers before BTS?

**A.** Prior to BTS programming we had roughly 60+ group fitness classes per week. We had toning classes, firming classes, step classes, boxing classes, kickboxing classes, yoga classes, dumbbell classes, high-impact classes, low-impact

classes, prenatal classes, post-natal classes, tai-chi classes, etc. We had all sorts of stuff. Our average class attendance for all the classes combined (including group cycling and niche classes) was 8 participants per class. Unfortunately, there was no rhyme or reason between clubs as it relates to the names of the classes, the content of the classes, the quality of the classes, the intensity of the classes. Basically, we did not have a consistent, deliverable program for our members. Some classes we came off looking like super stars, and other classes we were barely able to deliver.

**Q.** Review your Group Exercise schedule and attendance numbers since installation of BTS?

**A.** Since our relaunch of BTS programming in January of 2002, we've learned how to really analyze and evaluate our Group Fitness schedule and determine which classes and instructors are keepers and which classes and instructors we should eliminate. We've learned how to evaluate the productivity of a class/instructor in terms that not only serve our members, but also serve our bottomline. We've even honed-in on how to deliver to our members the classes they really want when they really want them. Now that's WOW!ing our members! Since the relaunch of BTS programming at WOW!, our average class attendance is 23 participants (including group cycling and niche classes) and consistently growing! That's nearly a 300% growth in participation/attendance over a year's timeframe! WOW!

**Q.** What is your most popular class?

**A.** Hands-down, our most popular class is BodyPUMP! This class attracts everyBODY! Members have fun, they feel comfortable, and they see results!

**Q.** What is your second most popular class?

**A.** Our Second most popular class is BodyATTACK! Again, attracts lots of different people and delivers a super workout!

**Q.** How has BTS impacted your

club membership sales?

**A.** With the relaunch of BTS at WOW!, we have learned the impact that marketing Group Fitness classes can have on driving traffic into the club. We have advertised FREE classes to non-members in local papers, as well as at sales promotions, and traffic as a result of these programs has increased by over 25%. On top of that, 9 out of 10 prospects who visit WOW! and take a BTS class, JOIN that day!

**Q.** How has BTS impacted your club membership retention? (In your opinion)

**A.** Overall, retention can be quite tricky. In my opinion, retaining members is about providing an experience that helps members:

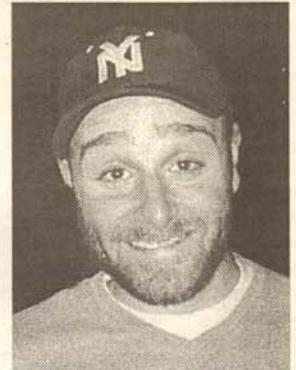
1. feel comfortable in their new club
2. feel comfortable with their new exercise program
3. have fun in their club with their exercise program
4. see and feel results
5. engage in a relationship with the club staff and other members

BTS programs fulfill each of these components. When members attend classes, it puts them in a group setting. A group setting can help with so many aspects of retention. The group environment can help members form relationships, feel comfortable with exercise, feel comfortable in the club, have fun, and even see and feel results. BTS classes are simple enough for anyone to take. This helps members feel comfortable, feel like they are a part of something, and feel like a champion. We know from experience that new members who participate in BTS classes are more likely to form bonds with the instructor and participants, see and feel those results, smile, stick with their program and ultimately WOW!.

**Q.** In your opinion, what are the greatest benefits your club is experiencing with BTS?

**A.** The greatest benefits WOW! is experiencing with BTS are:

1. We now have the BEST group fitness instructors in the world - they are true performers, unbelievably educated, unbelievably passionate, always excited to learn more and teach



Stephen Roma

more.

2. We can now consistently deliver world class group fitness experiences to each of our members, each and every visit. This is very important to us considering our mission is "We will WOW! every member, every visit"

3. Our group fitness program is now driven by the BTS class programming as opposed to the quality of the individual instructor. With the education, music, and choreography that BTS provides, our classes are unstoppable! This is extremely important to us as we continue to grow. As they say, "We're only as good as our last class." We are now in a position to deliver super classes each and every time, and we are never held hostage by a single instructor. The show must go on, and now we can ensure that it does without a hitch.

4. Since our class attendance has increased so dramatically, we have developed an incentive compensation plan based on performance for all of our instructors. This enables us to recruit the best of the best instructors, deliver the best of the best classes, and pay the best of the best class rate in our market. It's a win for everyone involved.

**Q.** There are club owners in the industry that immediately close their mind on consideration of BTS for their club when they learn there is a monthly program fee. What would you say, "heart-to-heart", to a fellow club owner who has done that?

**A.** Change can sometimes be a  
*(See BTS Update Page 26)*

**...BTS Update**

continued from page 25

little scary. It was for us. If the monthly program fee is stopping you from considering BTS, then you don't understand what BTS is all about. Your members and your staff can't afford for you to not explore BTS. It's time to look at group fitness from a different perspective. BTS delivers something to clubs and instructors that is like nothing else in this world! Club owners want to see an increased bottomline, increased attendance, and decreased cost per head. BTS does that! Group Fitness Managers want full classes and happy members. BTS does that! Group Fitness Instructors want to be the best at what they do and they really really want to teach to a full class. BTS does that! Members want classes that are Simple, Fun, and

Deliver Results. BTS does that! Like with any change, it's a little scary, but it is worth it beyond belief. Classes will be full! Instructors will be happy! Members will be smiling! Costs will be down! Before you make any decision, open your mind to explore and learn the possibilities of what group fitness could be in your club. Get educated, attend a Group Fitness Management workshop. You've got nothing to lose and all to gain. Let the fun begin!

**Q.** What other things can you share from your experience with BTS that might influence a fellow club owner to make this most important move to Body Training Systems?

**A.** Beyond the quality of the BTS classes, education, marketing material, collateral material, and so much other great stuff, the BTS team is second to none. They are professional, compassionate, friendly, fun, and

some of the best players in our industry. Thank you for all of your support and guidance! Thank you for revolutionizing Group Fitness at WOW!

**Comments From Jason West - Co owner and Manager - North Columbus Athletic Club - Columbus, Georgia**

**Q.** Jason, please describe your club. Size, service, when it opened, etc.

**A.** The club opened in 1993 as Powerhouse Gym. It changed ownership in 1997 and became North Columbus Athletic Club in 1998. We are currently about 17,000 square feet. We offer childcare, personal training, tanning, pro shop with juice bar, locker rooms (steam room and saunas), and of course a group fitness program.

**Q.** When did you initially involve your club with Body Training Systems?

**A.** We attended a Body Training System group fitness seminar in December 2001. This was the true eye opener as to what a group fitness program should consist of and how it should be managed. We began training for Body Pump in February and launched it in April 2002.

**Q.** Please review your Group Exercise schedule and attendance numbers before becoming involved with Body Training Systems?

**A.** Our group fitness program offered about 30 classes weekly averaging 225 participants per week. We had your typical classes; step, kickboxing, toning, and yoga. Our program had little direction and was completely stagnant.

**Q.** Review your Group Exercise schedule and attendance numbers since the installation of BTS.

**A.** We began Body Pump in April 2002 and our numbers began to soar immediately. We began averaging well over 300 - 350 participants per week in the first couple of months and maintained that average throughout the summer. We implemented Body Attack in October 2002 and our numbers just kept rising - averaging just over 400 participants a week in the month of December. Since January of 2003, we've had no less than 500 participants per

week and just hit an all time high with a 680-participant week in the first week of February. We just recently launched RPM and it has taken off incredibly. In fact, we started with 20 bikes and have just placed an order for 8 more bikes due to having to turn away 5 to 15 people at every time slot. We are averaging over 200 participants per week in our RPM class which is more than the average of our total group fitness program 10 months ago. We are currently offering 35 group fitness classes not including the 14 extra RPM classes per week.

**Q.** What is your most popular class?

**A.** Body Pump

**Q.** What is your second most popular class?

**A.** Body Attack is second, but RPM is growing fast and could be the most popular when more bikes arrive.

**Q.** How has Body Training Systems impacted your club membership sales?

**A.** Since April of 2002 we have increased sales between 25 - 30% and have met almost all of our sales goals. In fact, we've noticed a 40%+ increase in sales in our slower or so-called "off-season" months.

**Q.** In your opinion, how has BTS impacted your club membership retention?

**A.** Author's Note: Jason West returned to this question when he wrote: "I didn't answer the question on retention. I do know that BTS has increased our retention, however, we are a military town Columbus/Fort Benning, Georgia and have several military personnel or their wives. Due to the possible war we've had a lot of (members) coming and going because of deployment, etc., so our retention % is pretty difficult to get an accurate grasp on."

**Q.** In your opinion, what are the greatest benefits your club is experiencing with BTS?

**A.** Since the implementation of the BTS program, our club has simply been revitalized. It has increased the motivation and enthusiasm of our members and staff, and renewed our sense of purpose in helping members achieve their goals. Retention has increased, attendance has increased, and sales have increased.



**Jason West**

**Q.** There are club owners in the industry that immediately close their mind on consideration of BTS for their club when they learn there is a monthly program fee. What would you say, "heart-to-heart", to a fellow club owner who has done that?

**A.** I think most club owners invest their money in a lot of different areas of their clubs. But most owner/managers are not used to investing money on a monthly basis in their group fitness program. However, BTS is the single best investment that I have ever made, not only in group fitness, but also for my club as a whole. It has brought a whole list of different opportunities to our club from sales, attitude, service, results and so on. I often wonder where our club would be had we not made the decision to implement these programs. BTS is my single best staff member. It services our members, sells memberships, markets our club, and motivates our members and staff, including myself.

**Q.** What other things can you share from your experience with BTS that might influence a fellow club owner to make this most important move to Body Training Systems?

**A.** I truly believe that the numbers speak for themselves. I would highly encourage any club owners to attend the Group Fitness Management seminar. I think that this seminar is the foundation of success behind the BTS program. It's how you manage and market your group fitness program plus the implementation of the BTS programs into your club that takes your club to the next level. (Visit the Body Training Systems Folks at the IHRSA Trade Show - Booth # 2619)

**Norm Cates'**  
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# GOT PROFITS?

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"Body Training Systems accounts for 1500 new members and \$1 million in revenue that we didn't have before. In addition, we avoided about \$100,000 of additional investments in capital equipment over the first two years with BTS."

- Gordon Johnson, Gold's Gym Owner

"In just three years with Body Training Systems, annual revenues increased from \$800k to \$1.7 million, and our earnings increased by \$250k."



- John Bonica, Global Fitness Owner



"In only 7 months, BTS has reinvented Group Fitness programming at WOW! We have experienced more than a 30% increase in class participation and more than a 25% increase in guest traffic across our seven clubs."

- Stephen S. Roma, WOW! Work Out World Owner/Chief Operating WOWzer

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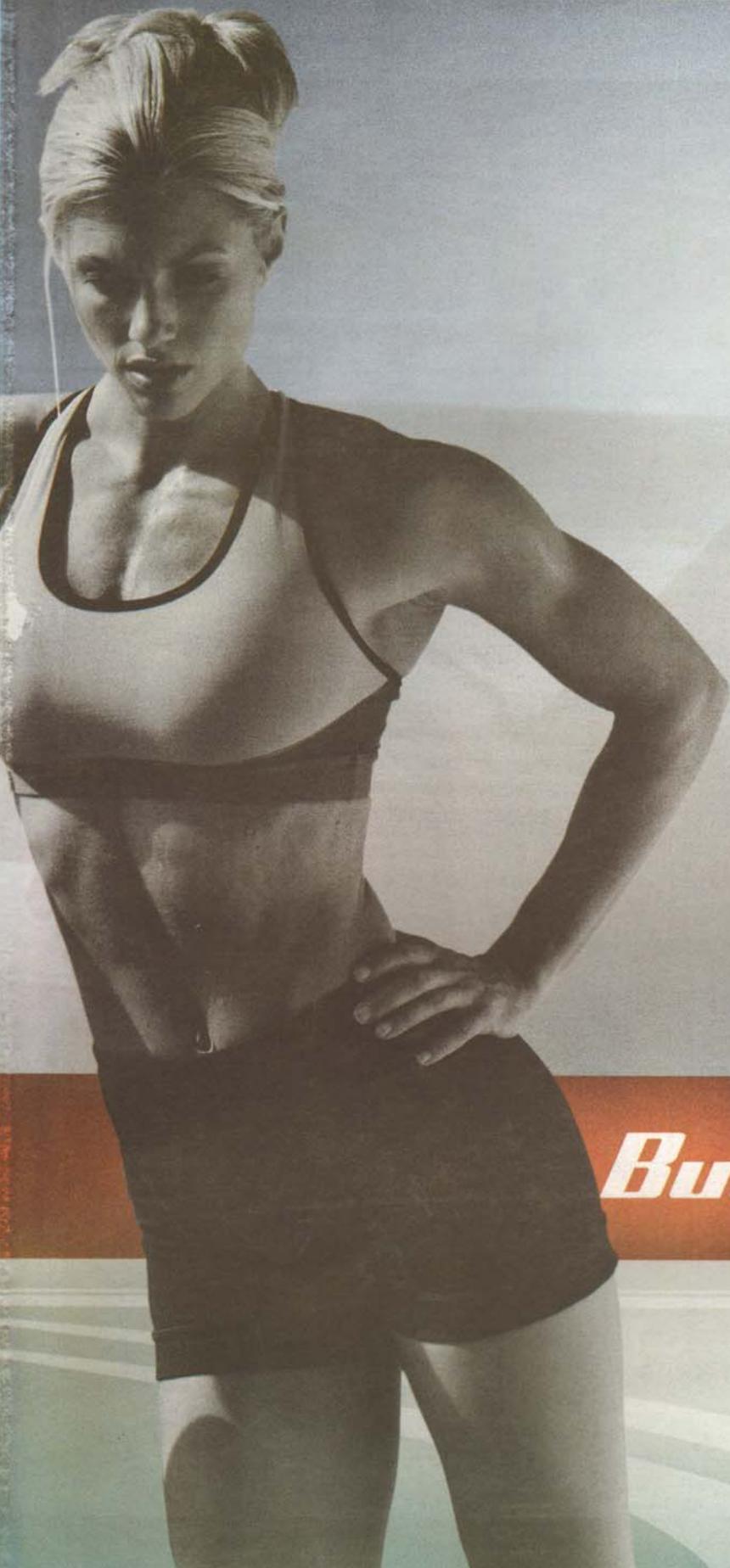
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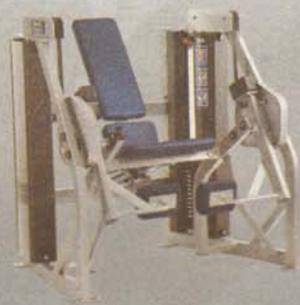
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