

# Norm Cates' CLUB INSIDER™

The "Pulse" of the Health, Racquet, and Sports Club Industry  
Established 1993



*Stephen S. Roma*



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*Jason West*



*Mike Silva*



## Body Training Systems *Built to Build Your Club Business*

### FEBRUARY 2010

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# Norm Cates' CLUB INSIDER™

The "Pulse" of the Health, Racquet, and Sports Club Industry

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## Body Training Systems

Built to Build Your Club Business

By: Justin Cates

A lot can be said about group fitness, and there are many views of it in this industry. Should a club go with a custom or freestyle program or should they install one that is professionally-produced and pre-choreographed? Is there an in-between route? Others may ask, why offer group fitness at all? This month, we hope to tackle this topic head-

on by sharing the experiences of five very successful club owners and operators. The common factor of success between them is their group fitness programs, and more specifically, their multi-dimensional, pre-choreographed group fitness programs, produced by Body Training Systems, an excellent company within our industry that offers a variety of programs that can produce great results in any club.

When asked, "What is the single most important thing a club owner or operator should consider when contemplating making the move to professionally-produced, prechoreographed group fitness programs?" **Rich Boggs, CEO of Body Training Systems,** responded, "Do your current group fitness programs enable you to sell memberships and control the quality of your classes? If the answer to either part is "No,"



you should at least spend some time investigating the concept. Like many other owners, you just might be pleasantly surprised at

what you find." Whether you already have professionally - produced (See *BTS* Page 12)

## Trustmark Mutual Company Acquires Health Fitness Corporation

Trustmark Mutual Holding Company and Health Fitness Corporation (NYSE Amex: FIT) recently announced a definitive merger agreement, pursuant to which Trustmark will acquire HealthFitness, an award-winning provider of integrated health and fitness management services, in an all-cash transaction valued at approximately \$97 million.

Under the terms of the agreement, Trustmark, through a subsidiary, will commence a

tender offer to purchase all outstanding shares of Health-Fitness common stock at \$8.78 per share in cash. The tender offer price represents a premium of approximately 22% over the closing share price of HealthFitness common stock on January 20, 2010, the last trading day prior to the announcement and a premium of approximately 23% over HealthFitness' \$7.12 average closing share price for the 30 trading days ended

January 20, 2010. The tender offer is conditioned on the tender of a majority of the outstanding shares of HealthFitness common stock, calculated on a fully diluted basis, and other customary closing conditions.

The independent members of the HealthFitness Board of Directors have unanimously approved the merger agreement and are recommending Health-Fitness' shareholders adopt the agreement. The transaction is

expected to close in the first quarter of 2010, subject to customary closing conditions, including expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. Corporate headquarters of HealthFitness will remain in Bloomington, Minnesota, and the company's current leadership team will retain ongoing responsibility for HealthFitness' daily operations.

Jerry Noyce, former

CEO of Health and Fitness commented, "It appears to be a great fit for both parties. I understand Trustmark has several assets that will help build HFC including a large health insurance commercial client base, data analytics capabilities and condition management expertise. HFC will provide Trustmark with health management and wellness capabilities which will round out Trustmark's offerings to its clients."

## IHRSA Heartily Applauds First Lady's "Let's Move" Initiative and Vows Support

The International Health, Racquet & Sportsclub Association (IHRSA) pledged its support of First Lady Michelle Obama's "Let's Move" initiative and praised the First Lady for her leadership in tackling the problem of childhood obesity, a long-standing issue that threatens both the health of America's children

and the future of our country.

"On behalf of the entire health club industry, IHRSA heartily commends Mrs. Obama for standing up and leading America in a nationwide effort to solve the problem of childhood obesity," said Joe Moore, IHRSA's president and CEO. "As a devoted mother of two school-

aged children, Mrs. Obama understands that the problem of childhood obesity isn't about statistics. It's about real children and real families in need of workable solutions. It's about real parents struggling to protect the health of their children in a culture and environment that often work against them. Mrs. Obama's

pragmatic, compassionate, and hands-on approach to solving the problem will serve as an inspiring example on which all of us can model our efforts."

The health and fitness industry believes strongly that regular exercise is a pivotal antidote to the obesity problem. For almost 30 years, the industry

has been working to increase physical activity in America, while IHRSA has been speaking out and working tirelessly on the need to incorporate exercise into the health care continuum as part of preventive care.

In a letter to Mrs. Obama, Moore stated, "The health club (See *Let's Move* Page 20)

## Inside The Insider

- **Monthly Management Meetings That Pay For Themselves - By:** Will Phillips
- **Uncertainty or Stability for 2010? - By:** Karen Woodard-Chavez

- **Yoga Bears! - By:** Sandy Coffman
- **Larry Gulko Joins Cybex As Chief Marketing Officer**

**Norm's Notes:** ● Get Well Soon Dad! ● Condolences to the Merritt Family ● "Oh Canada!" ● Body Training Systems ● Big John McCarthy Chairs Augie's Quest Bash Committee Again ● Congratulation to Incoming IHRSA Board Members ● LifeTime Fitness Launches Life Power ● Welcome to New Advertiser iGo Figure ● Michelle Obama's "Let's Move" Campaign ● Shane Franklin Still At Large ● Rick Caro's 14th Annual Financial Panel ● Michael Levy Launches eMbody ● Congratulations to Tim Richards ● Equinox Completes \$425 Million Refinance ● Sport&Health Opens 24th location ● Spa Chakra Files For Chapter 11 Bankruptcy ● PowerPlate North America Beefs Up Management Team ● ICAA Names 2009 Innovators Award Winners ● Join IHRSA Today!

# Norm's Notes

• **Hello Everybody!** This is your **CLUB INSIDER Publisher and Tribal Leader since 1993** checking in! Are you ready to roll? Well, be prepared because you won't want to put this edition of **CLUB INSIDER** down until you're through! So, grab something to drink, prepare to learn and then dig in! My son Justin and I hope to see you at **IHRSA 2010, Booth #3810** at the convention center in beautiful **San Diego, California**. Also, please note our **CLUB INSIDER Advertiser's Exhibit List** at the bottom of this page. Why not copy the list and take it with you and stop by and say 'Hello' to all of our **Great Advertisers at IHRSA 2010 in San Diego?** And, if you aren't going to make it to **IHRSA 2010**, please realize that all of the advertisers in this and past issues are great companies, and we urge you to contact them and do business with them.

• This **Norm's Note** is to my **Dad**, who's now recuperating from an awful accident he had at his home on January 31st. **Get well soon, Dad! I Love You, Norm, Jr.**

• Is **America** a great country or what? **Hmm... Hmm... Hmm...** What the United States has done to assist the astonishing humanitarian effort in earthquake-stricken Haiti is incredible. An estimated half billion dollars has been collected from donations, and we will do much more before it is all said and done. All Americans should be proud of the

aid our countrymen and women are providing for the people of Haiti, and our prayers are with their country as they rebuild after this horrible tragedy, resulting in the loss of life of over two hundred thousand people.

• **My condolences** to **ROBB MERRITT** and the **MERRITT Family in Baltimore, Maryland**, as they've lost their father, **LEROY MERRITT**. Leroy died on January 25th at age 79 from complications of cancer. May he rest in peace. Leroy Merritt founded **Merritt Properties, LLC** in 1967, and the company now manages and owns two dozen office, flex and industrial properties in Maryland, with their main concentration in greater Baltimore. The company portfolio includes 13.8 million square feet of managed space in the Baltimore area. Along the way, Leroy founded the **Merritt Athletic Clubs**, now a chain of eleven fitness centers in the greater Baltimore area, and they've been **IHRSA Members for 27 years**. Leroy stepped down from day-to-day management of Merritt Properties in 1997 but remained **Chairman** of the company. The company is now led by **President, SCOTT DORSEY**, and **Vice President, ROBB MERRITT**. Dorsey said, "Leroy's integrity, generosity and good humor will be deeply missed by everyone who had the opportunity to work with him. This is a very sad time for all of us." A statement from Merritt Properties said,

"His commitment to forthright business dealings was matched by a generosity of spirit and a passion for helping those in need. Under his stewardship, Merritt Properties became one of the most altruistic companies in the region, a tradition that continues to this day."

• **Happy Birthday** and best wishes to **Mr. RAY WILSON** who **turns 82 on February 19th**. Mr. Wilson is enjoying life at his resort properties down in **Punta Mita and Cabo San Lucas, Mexico**. Recently, he had some health issues but has cleared those hurdles now and is doing well. Be well, Mr. Wilson!

• To our **Wonderful Canadian friends**, I can only say, "**Oh Canada!**" and congratulate all of you on a wonderful **Winter Olympics** that are going on right now in beautiful **Vancouver!**

• **Body Training Systems (BTS)** is rolling along and adding more clubs every month. They are now also providing service for clubs in **Japan and Australia!** This month's cover story about the great company, led by **RICH BOGGS** and **TERRY BROWNING**, was produced by my son, **JUSTIN CATES**. In the report, you'll clearly see the differences between BTS and all of their competitors, and you will see the passion that BTS customers have for this company. Featured on the cover, and in individual interviews with Justin,

are: **JOHN MILLER**, **President of the Courthouse Athletic Clubs** in Oregon; **JOHN BONICA**, **co-owner of the Global Fitness Centers** in Massachusetts; **STEPHEN S. ROMA**, **CEO of WoW Work Out World**, in New Jersey; **MIKE SILVA**, **owner of The Edge**, New Jersey; and **JASON WEST**, **co-owner of two Gold's Gyms** in Columbus, Georgia. If you have space in your club to add group exercise classes and are considering installing a professionally-produced, pre-choreographed program for your members, please do take the time to read this cover story, and contact **BTS' MICHAEL MAHLER** at (800) 729-7837 - Ext. 244. Or, if you're now producing your own group exercise programs for your club, or if you are employing some other company currently, you really **OWE IT TO YOURSELF** to read this month's cover story so you truly understand BTS. Please realize that Michael's goal will be to *educate you* about BTS, *not sell you*. Once you're educated about all that BTS actually does, you'll sell yourself. Actually, once you've read this month's cover story, I believe you'll end up like those Justin interviewed... as "**Raving Fans**" of BTS, even if you're a customer of another company now. Enjoy the article! **BTS** will be exhibiting at **IHRSA 2010 in Booth #411**.

• **BIG JOHN MCCARTHY**, **IHRSA's** highly-esteemed for-



*Norm Cates*

mer **Executive Director** for 25 years, is once again **Chairman of the 5th Annual Augie's Quest Bash Committee**. John has extended an invitation to all of you who will be in San Diego to attend **The Bash on Friday, March 12th**, beginning with the **Reception at 6 PM**. Check out the **Augie's Quest Bash Ad on Page #7**, and please attend and support this important effort to help the one and only **AUGIE NIETO** find a **CURE** for the horrible **LOU GEHRIG'S Disease**, also known as **ALS**. I hope to see you there!

• **Congratulations** to the new incoming **IHRSA Board Members** who will be introduced for **IHRSA Member approval at IHRSA 2010**. They are: **BRENT DARDEN**, **Partner/General Manager of TELOS Fitness Center** and **TELOS Consulting** in Dallas, Texas; **SCOTT** (See *Norm's Notes Page 8*)

## Thank You!

### To The CLUB INSIDER Contributing Author Team

- Rick Caro - President, Management Vision, Inc. - (212) 987 - 4300
- John McCarthy - 25-Year Executive Director of IHRSA
- Amanda Harris - VP of Fitness & Wellness Services, Atlantic Coast Athletic Clubs - amandah@acac.com
- Bonnie Patrick Mattalian - The Club and Spa Synergy Group - (732) 236 - 2273
- Bonnie Pfister - Co-owner, Longevity Fitness - longevityclubs@bellsouth.net
- Bruce Carter - President, Optimal Design Systems International - (954) 385 - 9963
- Casey Conrad - Communications Consultants - (800) 725 - 6147
- Dale Dibble - Retired - dwdibble@hotmail.com
- Derek Barton - Owner, Barton Productions - derek@bartonproductions.com
- Donna Krech - Founder & President, Thin & Healthy's Total Solutions - (419) 991 - 1223
- Jeffrey Keller - President, The Independent Health Club Networking Association - Jeffrey\_Keller@msn.com
- Jeffrey Masten - Sales Makers - (914) 213 - 1307
- Jim Thomas - President, Fitness Management USA - (800) 929 - 2898
- Karen Woodard-Chavez - President, Premium Performance Training - Karen@karenwoodard.com
- Laurie Cingle - President, Laurie Cingle Consulting and Coaching - laurie@lauriecingle.com
- Mike Grondahl - Founder and CEO of Planet Fitness
- Sandy Coffman - President, Programming for Profit - SLCoffman@aol.com
- Shawn Vint - Greenmaple Wellness, Inc. - (888) 355 - 1055
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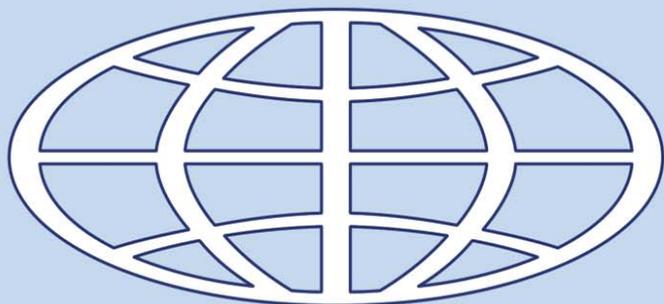
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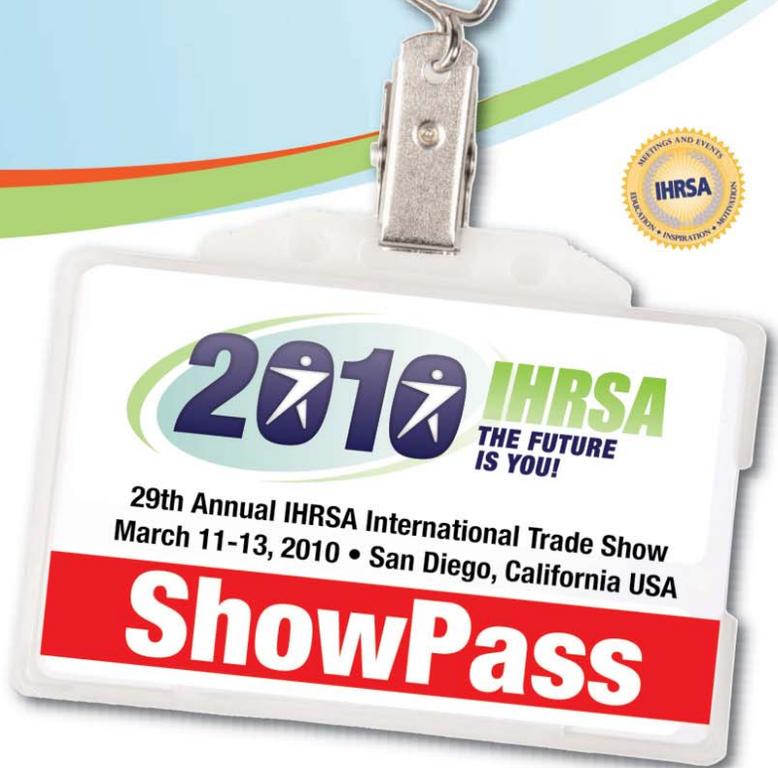
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### ...Norm's Notes

continued from page 4

**GILLESPIE, President** of Saco Sport and Fitness in Saco, Maine; **CAROL NALEVANKO, President** of DMB Sports Clubs, Arizona; and **RICHARD BILTON, President** of Companhia Athletica, Brazil. This Convention will also present you with the opportunity to network and get to know more of the people who are currently leaders of IHRSA and to consider applying for a position on the IHRSA Board of Directors yourself.

• **Life Time Fitness** has launched a new, small upscale spa type club in the 10,000 square-foot range, and they call it **Life Power**. One of the early locations is in Scottsdale, Arizona.

• Welcome to **New CLUB INSIDER Advertiser, iGo Figure**, an excellent company in the financial services sector of our industry. **KYLE ZAGRODSKY, Founder** of **iGo Figure**, is a former health club owner and was named the **1999 Curves Owner of the Year**. He sold his Curves clubs years ago to focus on his iGo Figure business. This is a great lead-in to my *annual reminder* to you all that, if you're still trying to operate your back office with your own employees, procedures and software, you're very likely losing lots and lots of moola, and I mean lots and lots. I speak from experience. In my 20+ years of owning and operating health, racquet and sports clubs, I really learned the hard way that, in the club industry, one's back office business is a very complicated

business, in and of itself, and one that you really should evaluate today, if you have not examined lately. I urge you to consider installing **Third Party Vendors** like our great advertisers: **ABC Financial Services** (See Ad on Page #13), **Affiliated Acceptance Corporation** (See Ad on Page #9), **Fiserv**, formerly **CheckFree** (See Ad on Page #26), and now, **iGo Figure**, with their Ad on Page #20. I'd bet I could've bought and paid cash for a large yacht with the money I failed to collect during my club career while running my own back office! I'm just saying... **PROFIT from my experience! I didn't get bald for nothing!**

• You'll soon see a great deal of press and news about **First Lady MICHELLE OBAMA's** new effort to reverse obesity in children with an initiative she is calling "**Let's Move!**" (See Story on Page #3). Just so you all know it, the **First Lady** has adopted, and is using, the 10+ year old, trademarked **Body Training Systems Slogan: "Let's Move!"** Just thought you'd like to know that **BTS** was right on the money over ten years ago!

• **SHANE FRANKLIN**, an ex-convict and would-be club owner has been using **Powerhouse Gym's** brand without the company's authorization in clubs in the **Reno, Nevada** and **San**

**Diego, California** areas. The **Powerhouse Gym** folks sent cease-and-desist letters, but he ignored them and persisted with the **Powerhouse** name for a significant period of time, despite their protests. He seemed to find it easy to make money by renting shopping center space, hanging up an old 3' X 5' **Powerhouse Gym rug** for his signage and **just started pre-selling memberships**. **MITCH BLACHER, San Diego ABC 10 TV News Investigative Reporter**, told me that **Franklin** has reportedly pulled up stakes and moved to the **Indianapolis, Indiana** area. **Blacher** was the reporter on an investigative report the station aired in which video was shown of **Franklin** declining to be interviewed and telling **Blacher** to leave. I'm sure **Mitch's** report helped run **Franklin** out of **San Diego**, so great job **Mitch!** **Blacher** also informed me that **Franklin** had first headed to **Mexico** to lay low for awhile, and since, has reportedly moved to the **Indianapolis** area. So, if you folks in **Indianapolis** see this crook in your area, please let me know. So, all you **Hoosier** club owners, look out because it looks like you're going to have a bona-fide bad guy on your hands, if you don't already.

• Writing earlier about **IHRSA 2010**, let me add that **RICK CARO'S 14th Annual Financial**

**Panel** will be held on **Friday, March 12** at **11:00 AM**. The **Panel Moderator** will be **Rick Caro** and panelists include: **PHIL COLLINS, Managing Director** of **Orchard Holdings Group**; **ELISE DONAHUE, Director** of **LA Fitness (UK)**; **MIKE ECK, Managing Director** of **Morgan Stanley**; and **BRENT KNUDSEN, Managing Partner** of **Partnership Capital Growth**. They will share their big money, financial views of the club industry.

• **MICHAEL LEVY**, former owner of the **Sports Clubs of Canada**, has launched a new club group called **eBody Fitness** in partnership with **MURRAY KLINE**. The **Toronto-based eBody Team** consists of **Levy, Chairman** and **President; Murray, CEO**; and **PAULA COMFORT, COO**. **Comfort** is a long-time associate of **Levy's** all the way back to his **Sports Clubs of Canada** days. They held their **Grand Opening Party** on **February 16th** and plan to open two more **eBody Fitness Clubs** this year. **Michael** served **IHRSA** and the industry very well as an **IHRSA Board Member** and **Chairperson** of the **Association**. He now chairs **IHRSA's Public Policy Committee** efforts and is making great contributions in that regard, as well. The **eBody team** took great care in their two years of planning and preparation for their new venture, including focus groups and consumer interviews, as they developed their 40+ focused niche club for launch. Clear evidence of the thought that went into this development, **Michael's team** produced and offers their **eBody Fitness members** what they call, "**The EMBODY Service Promise,**" and it provides a truly great service blueprint for any club:

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(See Norm's Notes Page 10)

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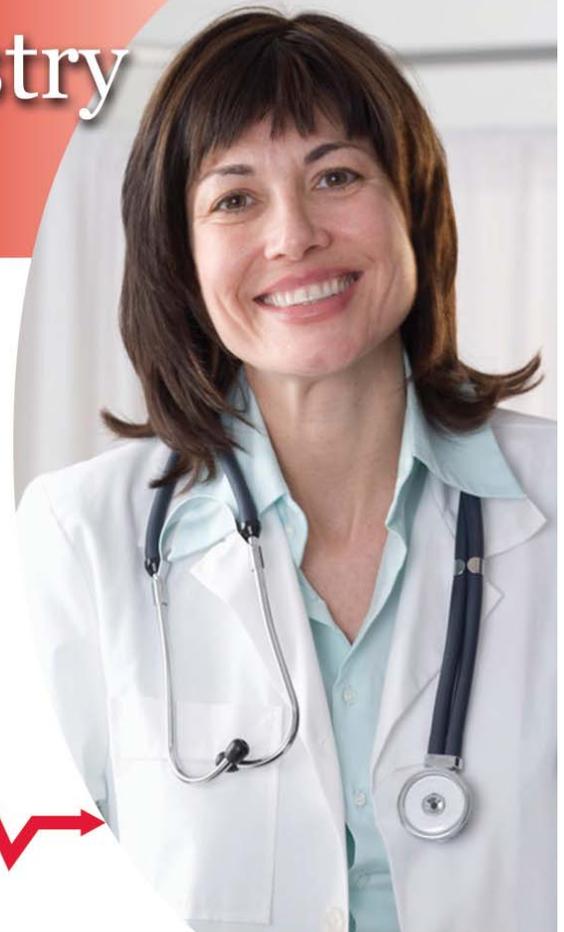
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### ...Norm's Notes

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time, but we will call you to let you know what we are going to do and when you can expect an answer.

- We will honestly listen to your ideas, suggestions and comments. Whenever possible, we will try to incorporate your suggestions if we feel that it would benefit other members and be in the best interest of our company. Our motto is, "we say YES when we can."
- We will only hire the most qualified, helpful and friendly team members who have your best interests at heart. If you ever feel that you have not been treated properly, please let us know.
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*At eMbody Fitness, we are passionate about creating an exceptional experience for our members and we will do our very best to ensure you are satisfied. There may be times when, despite our best intentions, we fall short. If we have not met your expectations, and you are not fully satisfied, please let us know, and we will do our best to work out an amicable solution for you.*

- Congratulations to my friend, **TIM RICHARDS**, Founder of the **Orchard Hills Athletic Club** in **Lancaster, Massachusetts**,

as he's been honored as the **2010 GINNY'S GUARDIAN ANGEL**. Tim is being honored on **March 6th** for his consistent effort and commitment to **Ginny's Helping Hand**, founded by **GINNY WHITE** in 1979 as a valuable resource to the homeless and the working poor of North Worcester County. Ginny is well known for her mission statement, "**A Hand Up, Not a Hand Out.**" I frequently talk and write about the importance of community service in the club business. Well, **Tim Richards wrote the book on it!** He is the **Founder of the Boys & Girls Club of North Central Massachusetts**. He has been the recipient of the **Philanthropist of Distinction Award** by the **Association of Fund Raising Professionals of North Central Massachusetts**, the first recipient of **The President's Award from Fitchburg State College**, the **Service Above Self Award from Mount Wachusett Community College**, the **Distinguished Citizen Award of the Nashoba Valley Council of the Boy Scouts of America** and other honors. Keep up the great community work Tim!

- Equinox**, one of the top club organizations in the world, has completed a **\$425 million refinancing**, and the proceeds are being used to pay down other debt as well as finance additional growth. **MIKE ECK** of **Morgan Stanley Investment Bankers** put the deal together. The capital will be used to retire old debts and for new club developments. Mike will join **RICK CARO** at his **14th Annual IHRSA Financial Panel at IHRSA 2010 on Friday, March 12th at 11 AM**.

- Please do come to beautiful **San Diego** by the bay, **March 10-13th** for **IHRSA 2010** and **Network... Network... Network! You'll be SO glad you did!**

- Sport&Health** has launched its newest fitness club --its 24th location-- in **Ashburn, Virginia**. The 38,000 square-foot club's preview center is now open and has begun pre-selling memberships with a **Grand Opening** scheduled in early June, 2010. "We have been exploring the Ashburn submarket throughout the last year in search of an opportunity to fill in our footprint and provide

the residents of the area a truly spectacular fitness experience," said **Sport&Health President and COO, MARK FISHER**. "Sport&Health is committed to bringing our wealth of fitness programming to neighborhoods throughout the Washington Metro Area that are too often underserved," said **JONATHAN ADLER, Sport&Health's CEO**. "This move falls precisely in line with our strategic plan."

- Spa Chakra** filed for **Chapter 11 Bankruptcy** in New York on **December 11, 2009** and an acquisition of all Spa Chakra assets is in play by **Hercules Technology Growth Corporation (Nasdaq: HTGC)**.

- POWER PLATE North America** is beefing up its management team with **GREG HAMMANN**, formerly with **Nautilus**, and **MARK DE GORTER**, recently being named as the new **Global CEO and President**, respectively. They have now been joined by **FRED HEIM** and **SHAWN PATTON** in key sales and marketing roles. Best wishes and good luck to all. (See Norm's Notes Page 26)

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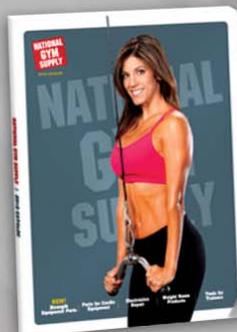
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**...BTS**

continued from page 3

group fitness programs in place, you are considering installing some in the future or you don't believe they are all that they are said to be, this story is for you. For those of you with programs already in place, you may learn how to squeeze out even more results from them. For those of you considering an installation, you will see that the only limit to success is your level of utilization and your imagination in promotion. Finally, for those of you who may still be skeptical about group fitness in general, views you may not yet have thought about will be shared. They could be a new eye-opener for you.

With that, let's see what the group fitness programs of today are all about!

**An Interview With  
John Miller**



**John Miller**

**John Miller is President of the Courthouse Athletic Club chain in Salem, Oregon. They currently serve 20,000 people across six locations (five athletic clubs and one tennis center).**

**CLUB INSIDER (C.I.)** - When did you add Body Training Systems (BTS), and what was the initial member reaction?

**John Miller (JM)** - We launched our first BTS format in November of 2005. I got to know Rich through IHRSA. I believe we have a shared passion for not just membership retention, but also for exercise adherence. How do we help people learn to love exercise the way we do? 80% of people believe exercise is important, and they know it is beneficial to them. They know it helps them live longer and live better, but only 20% are able to translate that into a lifestyle. So,

how do we reach the other 60% and help them get over that hump where it's a lifestyle for them? This industry has been banging on that door for an awfully long time with pretty limited success.

I have been doing my own set of retention experiments in a number of ways since the late '80s, and Rich has too, so our paths have crossed a number of times. We have always had our own homegrown group fitness program, like most full service clubs, and by our past measures, they were successful. Then, in 2005, I went to a Business of BTS seminar, and boy, they laid out the case for how to do group fitness right and how successful it can be. It was just very convincing and very powerful.

When we decided to jump in, we really jumped in with both feet. I think a lot of clubs take the approach of, 'Well, we'll do Group Power and see how that goes.' Then, they wait and evaluate. Maybe they come along and do another format and again take a wait-and-see approach. That's not how we did it. We said, 'Okay, we're doing this. This is really going to be the core of our business going forward.' So, we put ourselves on a timeline to launch a new format every 4-6 months until we had them all. The philosophy and sound reasoning I heard at that Business of BTS Summit was so convincing to me that I said, 'Boy, this is the future.' I say that especially for a club like ours. We are a 50,000 square-foot club, with gyms, pools, locker rooms, the whole deal, and like a lot of industries, this industry, or portions of it, are being turned into commodities. I knew we could not hinge our future on delivering weight and cardio equipment in a compelling enough way that it was going to keep people involved, so we had to do something that we felt we could do exceptionally well and other operators could not. We've had a lot of changes in a 35-year history of running these clubs, but I can't think of any that were bigger than this commitment to group fitness.

I think all of our new program launches have been very successful. Because we made such a big push about it, people were really curious. We were pretty good at packing the rooms for the initial launch, and then, there would be a little bit of a drop-off because a lot of the curiosity went away. Now, you're down to the core task of

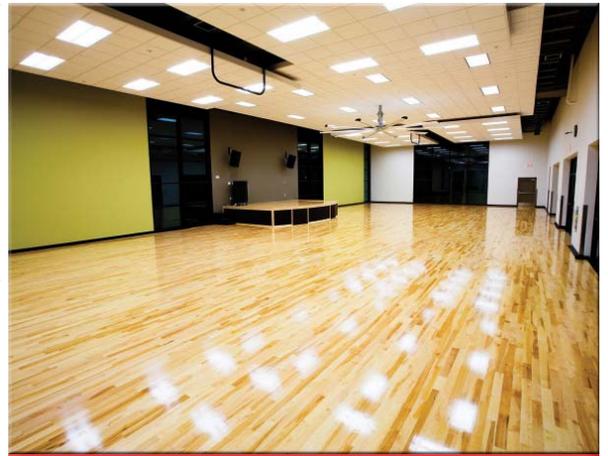
getting people into a routine of coming to these classes. So, the launch is big, it drops off a little bit, and then, we start turning the graph back upwards, building the program and the classes. We've done that year after year. The program has gotten bigger and bigger, and the classes have gotten bigger. This last month, for the first time, our average class, between all of our classes in all of our clubs, was more than 30. It's amazing to think of an instructor teaching to 25 or 28 people and discovering that class was below average, when not long ago, that same class would have been considered a huge success.

**C.I.** - Can you share some numbers with our readers to give them a before and after picture of adding BTS to your clubs?

**JM** - As a percentage of total club visits, between 10-12% were going to group fitness in 2005. Now, we are at 30% and working toward 35%. If participation has grown by about 300%, I would imagine the average class size has tracked pretty closely as well, so our average class in 2005 was probably 12-15.

**C.I.** - Recently, you have also been a tester chain for The Retention People (TRP) system here in the United States. When and how did this come about?

**JM** - I've always felt that if all you measure is attrition, you really weren't measuring the right thing to understand the full picture. I felt like there was a different way to look at the population of our clubs. Think of it like this, today, the death rate in the United States is actually higher than some undeveloped countries which, on the surface, you would find surprising because the standard of living and medical care in the United States is so advanced. For those same reasons, though, we have become an older population compared to an undeveloped nation where, on average, people die at a younger age. Does this mean the United States is unsuccessful due to our high death rate? No, it means the exact opposite. It means the United States has been successful at increasing the average lifespan of its citizens, but no matter what we do, we can't keep people alive forever. As people get to be 70, 80 or 90, they do die, and they die in large numbers. If you look at the population of your club the same way, I think the true measure of a club's success is not



**Group Fitness Room at Courthouse Athletic Club**

the death rate (attrition), it's the lifespan. So, we began looking at the lifespan of our members. I started to look at when in the lifespan we lost members. This goes back to the late '80s, and at that point, a third of the people who left in a given month, on average, were within their first four months of membership. So, if you are going to impact that lifespan, you do it in a way that's very similar to what a developing nation would do. They'd say, 'We have a high infant mortality rate, let's attack that first.' So, that's what we began doing, looking at what, for us, would be infant mortality. How do we drive down the number of people that were quitting so soon after joining? So, we started doing much more to integrate these people and keep them involved, and just as importantly, we began measuring how we were doing in this area.

I'd say that's how we got involved with TRP. Rich has been aware of what we have been doing with this for a number of years, and that's an element of TRP. Just like with BTS, the hard part isn't licensing the programming, buying the releases and all of those things. You've got to have the staff to execute this stuff. It really requires reorienting your organization around a focus on group fitness, and that's a big change for a lot of clubs. It's the same thing with TRP. You can't just buy the software and plug it in. It doesn't do anything without the staff to work the system, so I think that is why we started talking early on. Rich knew we had a staff of Fitness Coaches, and their primary role in the company was member retention. He just asked us to redeploy them in a new way.

**C.I.** - Please share with our readers

how the TRP system works.

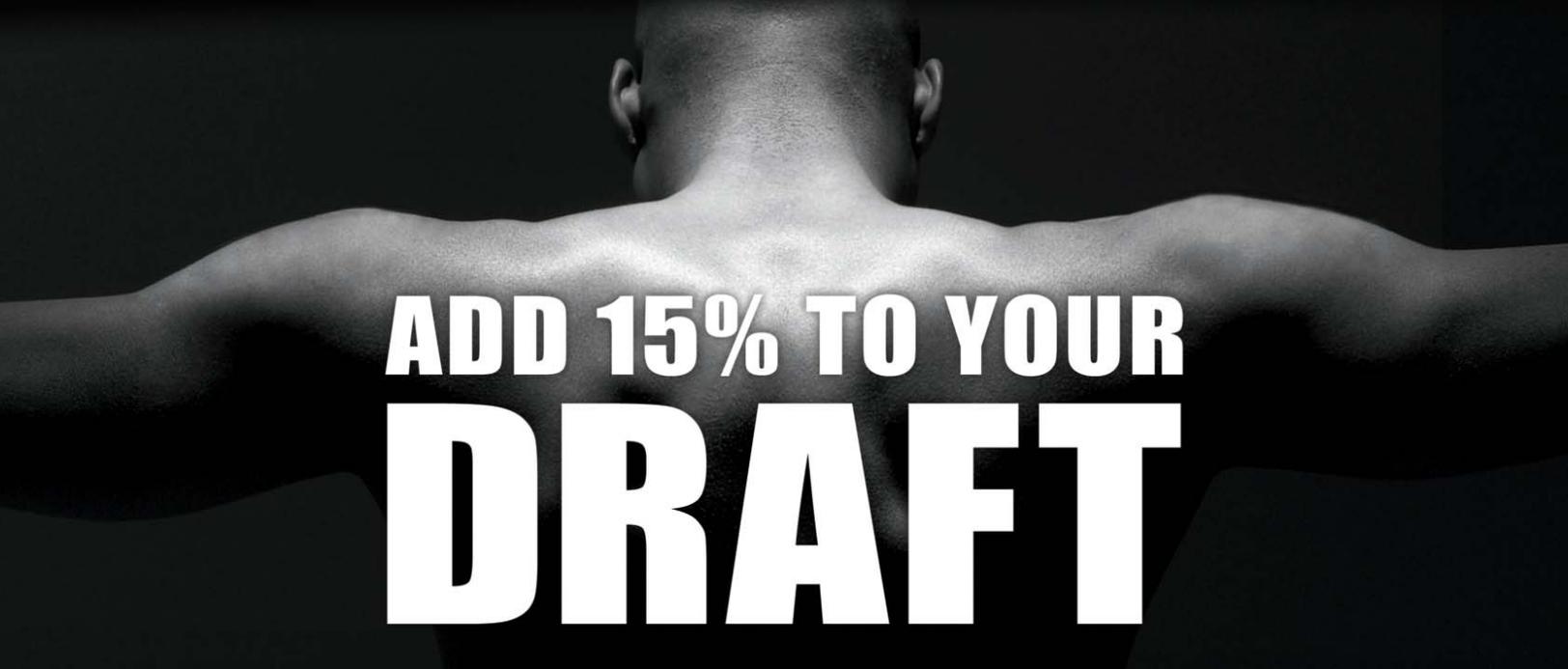
**JM** - On one level, it is pretty simple. When a member checks in at the front desk, the TRP software does an analysis of that member and different factors about them, which is based on research of over 2 million records. So, it says this member checked in, and they have a very high risk of this being their last visit before they resign their membership. If you have a person like that in your club, what do you do with that information? I think that every club operator would come to the same conclusion, 'If I really knew that this person was probably on their last visit, I would go talk to them.' In a way, the system is really no more complicated than that.

Once we were up and running, we quickly saw that it was going to be hard for our Fitness Coaches to have interactions with as many of those high risk people as we would like. The first month, we only interacted with about 40%, and then, we got it to 50%, then 60% and 70%. Now, for many months in a row, we have been around 80%. It was uncomfortable for our coaches to learn to work in this new way, and at a new pace, but it was a healthy discomfort.

The discomfort for staff, at first, was just having to talk to all these members they didn't know. Our staff worked through that pretty quickly. In a matter of weeks, the issue was out of sight and out of mind. The other element of discomfort was just the work pace, but again, they have adapted to that and are doing great now.

**C.I.** - Please share with our readers the results you have had from utilizing the system in each of your five locations.

(See **BTS** Page 14)



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**...BTS**

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**JM** - From an anecdotal standpoint, I can tell you for a fact that this has definitely increased the connection between our staff and members. We connect with so many more members because, before TRP, a lot of the connections were just at the service desk. Really, we don't even count that. We do a very good job of greeting members as they come in and saying goodbye as they leave, but that is a non-counter. The only interactions that count are interactions that happen out in the club as members are utilizing the club, where they feel we have purposefully sought them out to talk with them. That element is really key, and when I say that we interact with 80% of our high risk members, that's the kind of interaction I'm talking about.

From a quantitative standpoint, which is more important, I would point to a few results. We have increased the average number of monthly visits of High Risk Members from less than three to above four. TRP tells us that their research has shown this increase in visits will decrease attrition by 37%. Additionally, between 1988 and 2008 (prior to TRP), we increased our median member lifespan from eight months to fourteen months. In 2009, after the first full year of TRP, we increased that lifespan to eighteen months.

**C.I.** - Please share your view of what it will take for our industry to get past the low level of penetration we have been stuck at for the past few years.

**JM** - Early on, we coined the term, 'Exercise Independence,' to describe what we are trying to help most new members achieve. 15% of the population is naturally exercise independent. If our clubs disappeared off the map tomorrow, that 15% would be out on the street the next day exercising anyway. They don't need us to exercise. They use us because we provide the tools they want. They don't need us. They are committed to their lifestyle. 25% are committed couch potatoes. We're not going to move them with a stick of dynamite, and that is not where we want to place our efforts. 60% believe that exercise is important. They want to be an exerciser, but they just can't seem to make it on their own. That is where our clubs have been focused for 20+

years, helping people to become exercise independent.

I would modify your question a bit, though. Frankly, I think the question is, 'How does the segment of the industry whose business model is based on exercise adherence move the needle?' I don't think our whole industry cares about moving the needle. There's a good portion of the industry that is focused only on grabbing as many of that 15% as they can. These same clubs are happy to sell memberships to the other 60%, but they really have no investment in changing their behavior. When I say that, I'm not suggesting these clubs are wrong in some way. If they can make that business model work, more power to them; however, I think bringing more of the population into clubs will depend on more clubs feeling like there is a viable business around helping the 60% become exercise independent. I don't think these are the only tools, but I think group fitness (BTS), TRP and the Fitness Coach staffing model all fall into the mix. There may be other things we haven't discovered yet, and that's the part of this business that I enjoy the most, being part of that whole experiment.

#### An Interview with Stephen S. Roma



**Stephen S. Roma**

**Stephen S. Roma** is the *Chief Operating WoWzzer* of the **WoW Work Out World** chain in New Jersey. The chain is family-owned and operated with nine locations spread across New Jersey.

**CLUB INSIDER (C.I.)** - When did you add Body Training Systems (BTS), and what was the initial member reaction?

**Stephen S. Roma (SR)** - That's an interesting story. If memory serves me correctly, in roughly 1999, we added BTS, then the Les

Mills program. In 2001, we pulled the programs and terminated our license because we thought we could get the same quality for less through Bally's program, Power Flex. Based on member and instructor feedback regarding the low program quality of Power Flex, we then switched back to BTS roughly fifteen months later and were happy to start paying that licensing fee again. Then, a few years ago, when faced with the decision to stick with Les Mills programs or stick with the company and people that have so greatly supported us over the years, BTS. The decision was a rather simple one. Executing the details of that decision had its challenging moments, though. But, all along the way, we never looked back and always knew it was absolutely 100% the correct decision for us in the long run, for our relationship with BTS, for our instructor team, and ultimately, for our members (and our profits).

The initial response from members was that they LOVED the new classes but were concerned about some of the existing classes these new classes were replacing. In a very short while, both our instructor team and our members fell head-over-heels in love with the BTS programs and quickly grew to appreciate the high quality choreography, music and workouts these programs consistently deliver.

**C.I.** - You have since added 100-person group fitness rooms. How many clubs do you have them in, and what have been the results from the increased capacity?

**SR** - We have 80-120 person rooms in four of our nine facilities, and it is a standard component to all of our new facilities. We position 'exercise success at WoW' being based on members participating in group fitness, participating in personal training or participating in a combination of both. So, for us, the additional capacity is being utilized on a regular basis to service existing members through group fitness and encourage more members to try and participate in personal training.

**C.I.** - Can you share some numbers with our readers to give them a before and after picture of adding BTS to your clubs?

**SR - Before BTS:**  
 Average Class Attendance: 8  
 Maximum Class Attendance: 36  
 % of Members Serviced Through Group: 8%



#### Group Fitness Room at WoW Workout World

% of Members Participating in PT: <1%

#### After BTS (current):

Average Class Attendance: 41  
 Maximum Class Attendance: 123  
 % of Members Serviced Through Group: 31%  
 % of Members Participating in PT: 6%

**C.I.** - Please share your view of what it will take for our industry to get past the low level of penetration we have been stuck at for the past few years.

**SR** - That's an interesting question. I think it's basically a case of **Awareness-Desire-Action** COMBINED with our industry developing a more professional perception in the marketplace. Some people need to gain additional **Awareness** about the positive health effects of regular exercise. Other people need to develop more **Desire** to enjoy those health benefits (or to ward off some of the terrible problems that can come up from not exercising). While others, which I think is really the population we can affect the most, simply need a better place to take the **Action** to enjoy those benefits of regular exercise. This last phase is where I think the perception that we have in the marketplace could use some significant improvement in the area of overall professionalism and education of staff.

#### An Interview with John Bonica

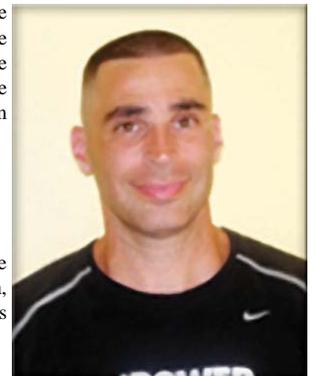
**John Bonica** is *co-owner* of the **Global Fitness Center** chain, comprised of four locations across Massachusetts.

**CLUB INSIDER (C.I.)** - When did you add Body Training Systems

(BTS), and what was the initial member reaction?

**John Bonica (JB)** - We had the opportunity to move our original club into a much larger facility, so I guess we approached the crossroads of where we wanted to be... We were either going to continue on with group fitness, or we were just going to take the approach to go with equipment-only. I think that's where the industry is right now; you either need to commit yourself to group or you just need to go equipment-only because you just can't do it halfway anymore. That was the real turning point for us. We decided that we were going to keep group fitness, but we needed to do something different. That was when I received my first marketing piece from BTS, and it offered a 90-day, money-back guarantee. I said, 'Well, if they're going to give me all my money back if this doesn't work, I really don't have anything to lose.' So, I decided to take a chance. That was about ten years ago.

A lot of people out there think that we do something radically different, and that's what makes us successful. The way I approach it is I just take  
 (See **BTS** Page 16)



**John Bonica**

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**...BTS**

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everything they say to do and implement it. I am a very big believer in the Michael Gerber style of entrepreneurship, where you've got to have a systematic approach to do everything. So, when someone told me they had a system of how to run and how to market group fitness, and if I could do that, it would increase my business, I just said, 'Well, I'm not going to reinvent it myself, so I am just going to do everything these guys tell me to do to the exact specification.' I still don't even apply the system as well as some of the other guys out there, but I have certainly been able to take the biggest, most important parts of it and really allowed it to drive my business.

Once we brought the first program in, the club just changed dramatically. Membership went through the roof. If we were getting 100 people a week in class, I would have been shocked, but recently, we had almost 7,000 people go through group fitness at our Leominster location alone in a 2,500 square-foot room, which is pretty undersized for the number of people who want to do it. At our Fitchburg club, about 50% of usage is group fitness. It has just radically changed the way we approach the whole fitness business.

What we finally figured out was that clubs are clubs are clubs and everybody has equipment. The outside perception of the health club is that everybody is going to have equipment and good service, so really, the biggest differentiator--the most unique selling proposition-- was to provide a different way to get exercise. Get off the treadmills, get off the weight floor and get in with a big group of people and have fun doing it. That just really allowed us to differentiate ourselves from the other clubs in the area, and that is what I think a lot of other club owners still miss. Everybody has equipment, and having the newest treadmills isn't going to get someone to sign up. You have to give them something they can't get anywhere else, and you have to be able to make it a consistent experience, too. What I think BTS does is it gives you that system so that every class is going to be a great experience for the participant, and it's not going to be so instructor dependent. I think that's the biggest challenge

for a lot of clubs who still do all freestyle-type stuff; they need to find those all-star instructors, whereas at our clubs, 99% of our instructors have never taught group fitness prior to them becoming certified in a BTS program. We have been able to create world class instructors instead of trying to find that diamond in the rough, and that really drives participation. Members don't need to feel that they have to find that 'killer' instructor, and that just opens up their schedule. Another thing BTS does really well is the way they program their releases. You no longer have to have beginner, intermediate and advanced classes. I feel just as comfortable sending a non-exerciser into a Group Power class, just as much as I would take the most avid weightlifter and put them in there. They will both work out side by side, get a great experience and feel successful. That's what BTS does really well. They make participants feel successful right from the get-go, and that keeps them coming back.

**C.I.** - Can you share some numbers with our readers to give them a before and after picture of adding BTS to your clubs?

**JB** - At our Fitchburg club, we are at about 2,500 members right now. We opened that club right at the beginning of the downturn in the economy. It's a good market, but it has been slower growth over there. The growth has been fueled by participation in group fitness, though, and the retention rate over there is spectacular. When we get our members, we keep them because of their participation in group fitness. Over in Leominster, we are at about 4,600 members right now. Before we got into group fitness, we were at about 2,000 members. That has been several years now, but what we have been able to do is maintain a high retention rate.

I think the more important thing to think about, though, is that the people who participate in a group fitness program are the best members. They are the ones who will participate the most. They are the ones who are going to be excited about membership promotions where they can be rewarded for bringing in guests and things like that. I would say seven out of ten new members we get are friends or relatives of someone who participates in group fitness. It is that high. Those are the people

that buy drinks, buy personal training and participate in other things because they are much more bonded to the club than the equipment. Members aren't going to bring their friends in just because you have a treadmill. That's just not going to be enough of a unique feature.

**C.I.** - Please share your view of what it will take for our industry to get past the low level of penetration we have been stuck at for the past few years.

**JB** - I think it is providing a place that makes exercise less about physical results and more about just moving and creating an enjoyable venue for people to get their exercise. It has got to be fun and different. I call our group fitness program 'Exercise in Disguise.' A lot of times, they forget about the physical results. They know they are feeling better and looking better, but a lot of times, they just continue to come in because it is a fun and a great positive environment and they have friends here. We just have to keep plugging away and finding different and unique ways to get people in the club.

Another thing is to let people try your clubs before you try to sell them a membership. We offer exclusive 30-day passes. Everyone is offered a 30-day trial membership to our club. There are still a ton of club operators out there who think that, if they give away too much, they are devaluing their membership, but it's actually the opposite. People love the fact that they can kick the tires and see what we are really all about and make sure we are not blowing smoke when it comes to the philosophy of what we truly believe in. They get to see it firsthand before we ever ask them to lay out any of their own money. What have you really given away if you let someone work out for a month? At the end of the 30 days, they are at the fork in the road. They're going to have to choose whether they want to stay or choose either no exercise or a low-price option. I think this is another thing that a lot of club owners miss; even if they choose the lower price provider, at least they have experienced the higher end club. So now, the differences between the clubs are going to be that much more apparent to them. By getting them off the street and at least trying your club, they will remember the differences, even if they choose a different provider. Then, they end up coming back

**Group Fitness Room at Global Fitness Center**

several months later when they are ready for something different.

**An Interview with Jason West****Jason West**

**Jason West** is the *co-owner* of **Gold's Gym Elite** and *Manager* of **Gold's Gym Max** in Columbus, Georgia.

**CLUB INSIDER (C.I.)** - When did you add Body Training Systems (BTS), and what was the initial member reaction?

**Jason West (JW)** - At Gold's Gym Elite, we started with Les Mills programs through BTS in March of 2002, starting the journey of pre-choreographed group fitness classes. Members loved it, and the numbers started to soar. We were able to raise our price from \$30 per month to \$39 over a couple of years. We stayed with BTS during "the break" in May of 2005. We were the only club in the area to offer Group Power, etc. The other clubs stayed with Les Mills. We started marketing the "new and improved" group fitness program, and because of its success, we were able to raise dues to \$49.99 per month in January of 2006. We were at 8% participation prior to

pre-choreographed programming and were at 31% before we chose BTS solely as our group provider. Now, thanks to some awesome staff and BTS, participation is currently running at 58%.

Gold's Gym Max was partnered with Les Mills when it opened in January of 2006. We just converted it to BTS in September of 2009. The members absolutely LOVE IT! Not one single member has come to me and said that they didn't like the change; in fact, quite the opposite. The fanatics love the options to challenge themselves. They believe all the classes are 'harder' and love the variety of the 'new moves.' And, everyone loves the music!

**C.I.** - You have had great success in new membership sales utilizing the BTS quarterly launches (program updates). Please share with our readers how you go about this from the promotional side, as well as some stories of your most recent successes.

**JW** - This is probably my favorite thing that we do, and we seem to do it pretty well. It directly shows how group fitness can impact sales, and it is just as simple as a cheesy fitness party. Let's face it, the more cheese the better. We theme each party that we do and try to get as creative as possible on a \$500 budget.

At Elite, in January 2009, we had a Group Ride Beach Party. We had over 100 beach balls in the club, there was a sand castle, instructors in sun glasses and four overflowing Group Ride Classes. We sold **35 memberships** (\$49.99 per month - 24 month agreements) in one day. **Cost:** \$400.

At Elite, in February 2009, we had a 'Back to Fitness' (See *BTS Page 18*)



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**...BTS**

continued from page 16

Retro Group Fitness Party. We went back and structured all the music in the classes to be retro or old school music tracks. There were a lot of retro music posters for decorations and some hideous workout wear. We sold **42 memberships** in one day. **Cost:** \$250.

At Max, in October 2009, we had a 'Ghost Rider' Group Ride Launch. It was a beautiful Fall day outside, so we took 75 spin bikes outside to the parking lot. There were Halloween decorations, balloons and one crazy staff pulled this one off. We sold **33 memberships** in one day **Cost:** \$300

Our most recent party, January 2010, at Max, we had a 'Poker Face' Casino Night Group Step Launch. There were three slam full step classes, poker decorations, balloons, Vegas-Style buffet provided by Outback Steakhouse, a DJ in the club and lots of black jack. We sold **51 memberships** in one day. **Cost:** \$500.

The biggest thing with the party is the hype, and as unusual as this may sound, the party is more for the staff than it is for the members (Of course, the members get all the benefit). It's amazing what a highly-motivated and enthusiastic staff can accomplish. A party just seems to get everyone excited and focused on producing results. As for marketing the parties, we use the following:

- Email blast to all members and prospects
- Phone blast to all members
- Signs inside the club
- Flyers/BTS experience cards
- Word-of-mouth
- And of course, lots of follow up with prospects.

**C.I.** - Please share your view of what it will take for our industry to get past the low level of penetration we have been stuck at for the past few years.

**JW** - You know this is a great question, and I have thought about this for some time. For me, it was as simple as one statistic that I saw at a BTS Management Seminar in December of 2004. It stated, '90% of people prefer to work out in a group.' Then, it just clicked. No one really works out alone, and everyone knows how much more motivation and accountability you have with a

workout partner. It's the whole 'comrade in arms' thing. In an industry that is always trying to reach the 'fragile eggs' of the market, there is no better area than group fitness. There are no machines to figure out or 'steel jerkers' to navigate through, just great music, great programming, great options, great instructors and great results. BTS programming is near perfect, and what I truly love is the sense of accomplishment when a first-timer takes a class. They feel good about themselves, and it keeps them coming back for more.

Also, in an era of the 'low price model clubs,' I truly believe that owners and managers need to be motivated and consulted, and the entire staff at BTS does an amazing job with that. They give you direction, ideas and have their hands on the pulse of the health club industry. I have always heard that you need to let the experts be the experts, and they are certainly at the top of our industry.

I think the biggest thing to help group fitness penetration, club retention and company profit, though, is as simple as one idea: Get INVOLVED! Owners and managers need to get out of their offices and start doing battle on the front line! Get involved in the sales process; pre-tour a new prospect, tour the club, present them a price and sell them a membership. Work the front desk during primetime, walk the floor and ask members to try a group fitness class and talk to a member who is trying to cancel. Get INVOLVED! Have and attend departmental staff meetings. Cast the vision, develop the plan, share your ideas and inspire those who work for you. And, go take a group fitness class! Obviously, this is not a new idea. I am currently watching *Undercover Boss* on CBS, and I encourage everyone to watch. It's unreal what a manager can learn by going to the front line. See you in the trenches!

**An Interview with  
Mike Silva**

**Mike Silva** is the owner of **The Edge** in Ramsey, New Jersey.

**CLUB INSIDER (C.I.)** - When did you add Body Training Systems (BTS), and what was the initial member reaction?

**Mike Silva (MS)** - In 2003, when we came in, I had never set foot --even in the 20 years I had been

associated in fitness-- into the group fitness room besides telling someone the class was canceled, a case where the stereo wasn't working or possibly adjusting the HVAC. All I knew was it was costing me \$14,000 a month in group fitness payroll, and I wasn't servicing any clients. My original percentage before I started with BTS was 9%. So, here you've got this \$14,000 a month bill in payroll and payroll taxes, and you're sitting there and not servicing any clients. Something was wrong. Being in the industry for a while, I had never paid attention to that room being a revenue-producing center, so in 2003, it didn't hit me right away.

It was 2006, and I went to the IHRSA Convention with the plan to correct my group fitness program. I was going to get as educated as I could about group fitness and anybody that could teach me that side of it. I made a criteria list and got in line with the company that I felt was best suited to be a business solution company for me. I stepped into one of the seminars with BTS, and it really changed our whole place. I signed on the dotted line, and our first launch --Group Power-- was in July of 2006.

The members embraced the change after about two weeks. They first waited outside the group door waiting for other member responses. As the smiling faces exited the door, it empowered others to try it the next time. Then, the referrals started flowing in, which amazed me how viral the program spread through the membership. Everyone went from talking about their favorite instructor to talking about the program! That's when I knew we were in control of our revenue stream again. People were getting results which prompted more participation. This process took place over a year, which if you ask BTS, wasn't quick enough



**Mike Silva**



**Group Fitness at The Edge**

for me. I frequently wanted to add programs at a much faster pace, but they educated me on the process and slowed me down just enough to ensure our success. The members to this day look forward to every launch with great anticipation, and we use it to attract new memberships every quarter. Now, it's the department in the club I worry the least about.

**C.I.** - Can you share some numbers with our readers to give them a before and after picture of adding BTS to your club?

**MS** - The big thing is the power of it being a revenue generator. The people that take group fitness, which is my BTS program, renew at a rate of 92%. So, if I put my money into the 38-40% who utilize the programs, I get 92% there. That means somewhere around 60-62% are people running free on equipment, of which I have a 50-50 shot at keeping them as a member. So, we are trying to aggressively grow that area even larger. It's bettering our odds.

The secondary thing, which is probably the most important, is we went through an incredible integration period with our staff. Now, everybody who teaches in the program is invested in other avenues of the club. They could be trainers, they could be front desk employees, they could be salespeople, they could be the owner; I teach Monday and Wednesday evenings, Thursday afternoons and Saturday mornings. I know I am not the norm for most owners. But, what it does is, through the integration process, I am giving these people back money and they are taking care of the club in a different capacity than somebody who is a private contractor and comes in and teaches at your club and leaves. The investment and the

cross-pollination of different programs have also fueled our personal training. Now, my personal trainers are in front of 40 people in a class. They are highlighted, and it has increased our personal training revenue. Years ago, when someone talked about group fitness and personal training, they were completely different departments that didn't really get along. Now, they all function together. I've grown from four years ago as a guy who never went into that room to one that now knows exactly what is going on in there. The whole organization is completely different. Every single prospect that comes into this place is placed into the group fitness program. It's the #1 referral center. That's the paradigm shift that has occurred here. We are not just selling fitness. We are selling group fitness as our choice of fitness, which is allowing us to choose our members.

**C.I.** - Please tell our readers about the product support BTS gives you as a single club and not a chain.

**MS** - I have not been able to find a weak link in that organization. They are just A-list from top to bottom. They treat me to this day the same way they treated me the day they were trying to get my business. I work with them weekly and monthly. The phone calls have never stopped. I use them as a business solution. I call them about everything, 'Hey, what do you think about this?' It could be related to group fitness, training or the industry. They are a sounding board; they are a testing site. They are constantly looking for another way they can better the health and fitness industry. 'How can we arm our clients with more information, more data and

(See *BTS* Page 20)

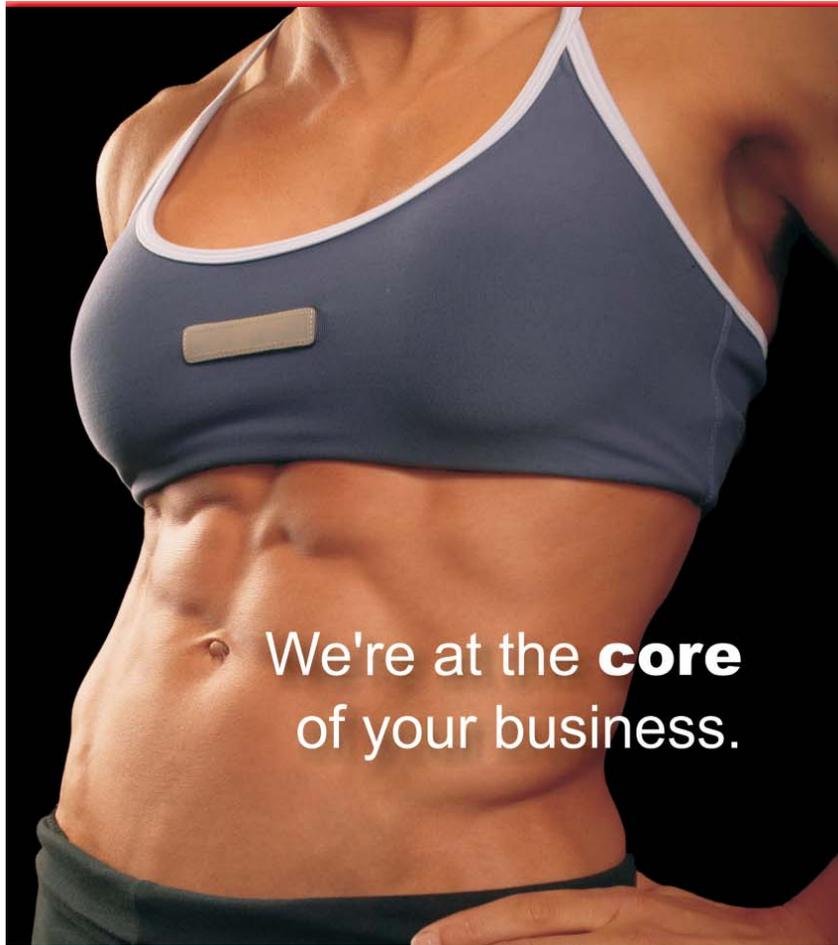
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### ...BTS

continued from page 18

more revenue streams so that they can be more successful? It's never-ending. They are the #1 partner I have in the club to this day. If you asked me what's the most non-dispensable system in our club, it's Body Training Systems.

**C.I.** - Please share your view of what it will take for our industry to get past the low level of penetration we have been stuck at for the past few years.

**MS** - I think there's two parts to that question. I honestly think the industry has to blow up the procedures and systems for membership. I don't think the public really wants a membership. I think it's something that

we want for how we run our businesses. Ultimately, the term 'membership' and how it's set up, I think the public really does not want that. Anything you are a member of, I think that there's always a connotation that you are in some sort of contract or in something. I don't have all the answers for it, but the bottom line is 86% of the people don't want to be members. There has got to be a way to figure it out.

Second, the investment in health has not hit the American people. I often say to my customers, 'I spend \$60 a month on my Dunkin Donuts coffee.' The value of a health club membership is questioned, where that is not... The perception of a health club membership is something we should be receiving in some

capacity for less. People don't value their health. They will get their nails done and their hair cut; everything has a value, but health doesn't. That means that there is an underlying fear associated with even discussing it. I think, at some point, the Government has to make a case where, if somebody is a participant in a health club, his health care costs are cheaper. Then, you will start to get better results.

• • •

I want to thank John Miller, Stephen S. Roma, John Bonica, Jason West and Mike Silva for their contributions of time and effort to bringing their stories to you. Additionally, I want to thank them for the contributions to this

great industry. I hope, through their stories, the importance and potential of group fitness can be seen. If done in a focused way, a professionally-produced group fitness program can deliver results for your members, and thus, results for your club. Additionally, I want to thank Rich Boggs, CEO and Terry Browning, President, for the opportunity to see Body Training Systems in action, as well as to connect with some of their customers to bring this story to you.

*(Justin Cates is the President of CLUB INSIDER and grew up in the health, racquet and sports club industry. From the age of eight, he spent his non-school and sports hours in a home which doubled as CLUB INSIDER Headquarters. He has lived and breathed this industry for 25 years, since his own day one. Now, he is an integral part of the "Story" of Norm Cates and CLUB INSIDER. Justin may be reached at Justin@clubinsideronline.com or by phone at 770-595-6086)*

### ...Let's Move

continued from page 3

industry is an important and effective resource for introducing young people to a lifetime of exercise, fitness, and healthy behaviors. We want to make sure that this far-reaching network of community-based fitness centers and professionals is at your

disposal in the nation's fight against childhood obesity and that it is not overlooked...

By educating our youth about exercise and nutrition, by showing them how much fun physical activity can be, by instilling healthy lifestyle habits at an early age and by maximizing the innovative programming, technologies and

available research within the fitness industry, health clubs can make a meaningful and lasting difference in the lives of children."

Health clubs play a vital role in keeping Americans of all ages healthy. With more than 30,000 across the country, they can be found in all 50 states, serving cities and towns in both rural and urban areas.

**LET'S MOVE** 

Health clubs of all sizes and business models --including thousands of small and medium sized enterprises-- are integral to community life. Together, they provide a gateway to healthy living for millions of Americans of all ages and backgrounds."

"Mrs. Obama has a tremendous and tremendously important task before her," said

Moore. "And, she will need cooperation and help from all industries and from both the private and public sectors. We are extremely grateful that Mrs. Obama has taken on the issue of childhood obesity," Moore said. "We want to see her succeed in this initiative and in leading the way to create a national environment that supports health."

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# Monthly Management Meetings That Pay For Themselves

## Step Six in the Series: Fifteen Steps to Paradise

By: Will Phillips

If you have a monthly or quarterly meeting to review your club's performance, change the name to **Review and Action Planning (RAP)** meeting. The emphasis in these meetings will be action. In fact, one ground rule is that 70% of the meeting is devoted to action planning.

### Who Attends?

The flavor of this meeting is driven by the commitment that managing is about improving. Managing is not about overseeing or insuring or adhering to policies and procedures. Managing is about making things happen for the better, not just babysitting. The goal of your RAP meeting is improved results. This means that the meeting needs thinkers and that the meeting will encourage the development of thinking and problem solving. In fact, this meeting is one of the primary training tools you have for developing your managers. Thus, the RAP meeting has two goals; better performance and better thinkers. The best RAP meetings include the CEO and all department heads.

### Scheduling RAP Meetings

The period of the review (e.g. weekly, monthly or quarterly) is selected so that there is enough time between reviews to collect meaningful data and to

take meaningful action to impact the results. In most organizations, a four-hour RAP meeting is the minimal time. It takes this long to get used to the RAP process and to truly solve problems. If all the work is done sooner, just end the meeting early. This is preferred to setting a one- or two-hour meeting and running short of time. When the RAP meeting is functioning well, it is at the very core of the management process to deliver the organization's desired performance.

### Rap Meetings Are Data Driven

The data are the GAPS between what you wanted (budgeted) and what you got. The most important numbers are the Key Performance Indicators (KPIs). The process of how to design a handful of these was outlined in last month's article in this series. These reports must be published quickly after the closing of the month or quarter. First, increase speed, and then, improve accuracy, not vice versa. As a starter, work towards getting your monthly report on the third of the month. If this is not possible now, design a flash report which can be delivered by the third. A flash report trades off 5% or so of accuracy for timeliness. Just as an airplane's altimeter becomes useless, even dangerous, if it has a thirty-minute delay, monthly reports cannot be late if they are to have managerial usefulness. The utility of these reports occurs

or improve the way they manage the next month to better achieve the desired goals.

### Data Format

Compare planned (budgeted) performance with actual on both a period (this month or this quarter) and year-to-date basis. Comparisons with similar periods last year are also very useful (i.e. this month compared to this month last year). Each department or unit of the organization should have their own set of KPIs.

### Preparation by Managers

The RAP report is distributed to each member of the RAP team one or two days prior to the session. Each department head identifies any significant GAPS in his or her area. A significant GAP is a meaningful difference between what you planned for and what you got. If there is an easy explanation for why a GAP occurred, and it is not something you could do anything about, such as a short week or an extra pay period in the month, it is not "significant." You are looking for the deviations that are big enough to impact the organization, which you believe you can nudge, influence or control. If costs were high in February due to plowing snow out of your parking lot four times, it is not something you control. On the other hand, some might feel they can nudge the costs of plowing by adding a plow to their SUV and training a staff crew to do the plowing. Each department head selects a maximum of three significant GAPS. More than three loses focus. Always have at least one GAP or area you wish to improve in your department to report on in the RAP meeting.

For each GAP be prepared to:

- Justify your rationale as to why these are significant GAPS
- Define the causes of the deviation
- Present a brief and concise plan on what you will do to improve performance on your significant GAPS. Be sure to spell out what, how and by when your actions will begin to have an impact on the organization's monthly RAP

report. If you are not satisfied with your solutions, say so to the team and ask for help when you meet. That is one of the primary purposes of the RAP Meeting.

### There Are No Good GAPS

Some GAPS appear to be positive and good. We planned for 100 new members this month and got 120. This is good for the company in the short run, but it reveals poor planning, which is bad in the long run. If you plan low and produce high, the GAP is significant. On the surface, it seems completely good; however, it is worrisome because it shows that, even though you actually performed well, you can't plan accurately or confidently. Next time, you may plan high and produce low. You are not in control of the situation; you can't manage it.

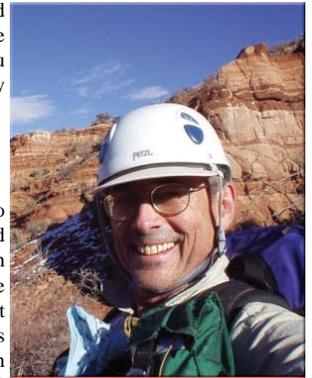
### The CEO's Job

You should independently review the performance of each area and also identify the key deviations for each area from your perspective. This can be a lot of work for the CEO. Be patient. If you conduct your RAP sessions well, your workload will be reduced while the organization's performance improves because your managers are truly managing and making improvements.

### In the Meeting

The CEO or owner should lead the meeting, not the CFO. When CFOs lead management meetings, they use words and concepts so far beyond the others that a disconnect occurs. This meeting is about managing, not numbers. So, the CEO leads, the CFO is a resource.

In the meeting itself, it is necessary to minimize time spent on explanations and justifications and focus primarily on identifying the truly significant gaps and solving problems. Do not spend more than 20-30% of the meeting time on reports and their explanations. It helps to divide the meeting into two distinct parts. First, review reports to clarify significant GAPS (20-30%). Second, work as a team to uncover your ideas on the root



Will Phillips

causes and planning experiments you can act on to see if your opinion is correct (70-80%).

Each department head presents his or her key GAPS and the rationale for them being significant. Be brief and specific (Discussion as needed to build understanding and consensus before going on: **DANToBUACBeGO**). The unit head now presents his or her opinion on the root cause for the GAP (**DANToBUACBeGO**). And now, what is your plan for correcting the GAP (**DANToBUACBeGO**). Make sure results are spelled out as well as actions. Have a clear date set for when the results will be achieved and when the improvement will show up in the management report.

If one person has several significant GAPS, present them in order of significance and use the above process to work through each one. If your **DANToBUACBeGO** is taking more than five minutes, shift his GAP and its **DANToBUACBeGO** to a list on the wall for the second phase of the meeting. Keep moving, review all the GAPS in the first phase of the meeting. Remember, however, for the time taken in phase one, you must double it for phase two, and even that may not be enough time. In which case, the team decides when to meet to continue, and it should be within 48 hours, not next month.

### CEO's Role In The Meeting

As CEO, you have three responsibilities in a RAP meeting. The most important one is to be (See Will Phillips Page 23)

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**... Will Phillips**  
 continued from page 22

a coach and educator to develop your people into managers who are constantly engaged in improving performance by using their observation, thinking and experimenting. Whenever the CEO is concerned about the correct identification of significant GAPS, having good opinions about the root cause, having appropriate solutions or the timeliness of the solutions, he should step in as an educator/coach using DANToBUACBeGO. If this is taking more than a few minutes, make a note of the concern and add it to phase two of the RAP. Avoid lots of discussion in phase one. In phase one, participants may ask questions to clarify their understanding, but keep the questions brief and to the point. If the question and answer take more than a few minutes, make a note to come back to this in phase two.

The CEO's second responsibility is to manage the time and interactions to clearly distinguish phase one and phase two of the meeting so that the latter is at least twice as long as the former. Phase one consists

of an overview of all the GAPS, consensus on the easy ones so they are ready for action and off the agenda and moving the challenging GAPS to phase two of the meeting. Phase two of the meeting begins with prioritizing all the collected items. Let each individual write down their top three. Then, discuss and use your club-wide perspective and business smarts to reshape and fine tune to priorities. This should take, at most, 10% of the time in phase two. Now, begin DANToBUACBeGO on the root causes, proposed solutions and scheduled actions for the highest priority GAP.

Your third challenge as CEO in a RAP meeting is to NOT take over and give all the answers and to NOT become impatient and frustrated. Impatience or frustration with someone learning a new skill or perspective or concept will short-circuit the learning. In some clubs, almost all the staff are short-circuited already, and it will take a while to reset their trust. If you are bold and secure enough, you can ask your RAP team for anonymous feedback on this issue.

**Problem Solving**

Problem solving can take several forms, some more formal than others. Generally, the key to tough problems is to engage others so you have more perspectives and ideas. As you work with your RAP team, consider these steps in problem solving:

1. Ensure you understand the problem before you start the solving. Understanding means having a good opinion on the root or underlying cause of the problem. Without this, you are only solving symptoms, and the root cause will produce reoccurrences.
2. Listen to alternate points of view
3. Use a systematic process to ensure everyone's view is heard
4. Get out lots of ideas for solutions
5. Take the time to create a realistic solution
6. Make a clear decision as to who will do what, by when and how
7. And, above all, DANToBUACBeGO

A more elaborate problem-solving process is presented in the author's book **Responsible**

**Managers Get Results** (Chapters 5- 9). If you would like an assessment of how well your management team solves problems, email me at [Will@RexRoundtables.com](mailto:Will@RexRoundtables.com) with **Problem Solving Assessment** in the subject line.

**Ending the Meeting**

Before you leave the meeting, give all team members a chance to read aloud their personal action plans. Answer any lingering questions about these before leaving. Then, ask for everyone's evaluation of the meeting by asking "What Helped this meeting?" and "What hindered this meeting?" And ultimately, "How can we make future RAP meetings even better?"

Remember the goal of a RAP meeting is not to end on time, but to improve performance, just like surgery the goal is results not an on-time finish.

**The Next Meeting**

Follow-up is the key to solid performance in action plans. People should be reminded of action items, and meetings and deadlines should be actively

managed. Subsequent meetings begin with a progress report on the previous meeting's action items.

**The Evolution of RAPING In Your Club**

If you run your RAP meetings well, you can expect that, within a year or so, your department heads who are developing into managers will begin Reviewing and Action Planning continually throughout the month. This, of course, is what managers do since management is all about improving. As the regular RAP agenda moves out from the meeting to daily operations, your formal Rap meeting can move to higher level, strategic challenges.

*(Will Phillips is the President of REX Roundtables for Executives. REX chairs eighteen club owner Roundtables in the U.S., Australia, New Zealand, and Brazil. The newest REX Roundtable will focus on Small Giant businesses in all industries. Your comments and inquiries are welcome by email at [Will@RexRoundtables.com](mailto:Will@RexRoundtables.com))*

# Uncertainty or Stability for 2010?

By: Karen Woodard-Chavez

The start of 2010 for most clubs was a very good start to the New Year. Whew! A lot of club operators are breathing a sigh of relief thinking that the uncertainty of 2009 is behind them. Well, let's not fool ourselves, we are in business, there is always uncertainty. But, you have the ability to control more of the elements of uncertainty to create a more consistent and solid foundation than perhaps is *consistently* exercised.

Answer the following five questions and assess how your business performs with each of them:

1. Are you measuring results, analyzing them and readjusting?

I encourage you to measure the following 20 Key Performance Indicators (KPIs) daily, weekly and monthly:

- Total members
- Average monthly revenue per member
- Hourly revenue production for all departments
- Cost to *acquire* new members
- Cost per member
- Weekly cash flow (monthly expenses)
- Number of prospects walking in and calling in MTD/YTD
- Sales to tours MTD/YTD
- Appointments to calls
- MTD/YTD increase in daily workouts
- MTD/YTD increase in ratio of workouts to member

• Percentage of members in group exercise. Increasing by how much?

• Percentage of members involved in PT (Tennis, Pilates, Aqua, Spa, etc.). Increasing by how much?

• Number of billable sessions increasing/trainer or pro

• Non-dues revenue as a percentage of total revenue increasing

• Percentage of members paying more in non-dues revenue than in dues revenue increasing

• Retention/Attrition rates

• Payroll to gross revenue

• Payroll to departmental revenue

• EBITDAR

Do not just measure these KPIs, but turn the *information into insight into income*, meaning, once you track the information, how are you analyzing it and what actions will you take to adjust where you need to be? Who else needs to be involved in the analysis and adjustment to shorten the curve? Does every department have responsibility for measuring, analyzing and adjusting it daily, weekly and monthly to stay on track for achieving goals?

2. Do you have good managers?

Good managers communicate expectations clearly and unambiguously. They do not tolerate incompetence or recalcitrance. They staff only with capable, positive people, and they are able to get commitment from every staff member and are capable of measuring, reviewing and rewarding performance on a regular basis. What do you do if your present management team falls into that uninspiring and underachieving category? You must train and develop them to meet the above standards. Those who can learn and apply these outlined principles will move from the bottom management level to the second, and some, to even the first management level. Reward them appropriately! And, move out of management those who continually fall short and/or whose staff turnover is exacting a high price in the company's reputation and revenue. What are you waiting for? Only give management roles to people who meet these requirements. Only

give management roles to those who *want to manage*. Do not permit poor managers to hold management positions, ever! Provide an alternative career path with attractive compensation for those in non-management roles, and once you have your team in place, clarify your expectations of them regularly.

3. Are some of your managers wasting time preparing and never implementing?

I see this way too often in way too many organizations. Some managers never act quickly enough to hire another tennis pro, massage therapist, personal trainer or membership person, so they miss out on growing the business. Or, they are constantly planning and preparing programs rather than simply offering them to the members to get them involved, so they miss out on non-dues revenue as well as enhancing member results. If this is the case, then these managers need to be managed with tighter timelines, clarity, consequences and incentives. Management is the ability to execute a plan or achieve an end on time and on budget. Managers who succeed in making plans have succeeded in communicating their expectations clearly and without ambiguity and have done so between and among levels (sometimes many) of management and across disparate functions, such as sales, operations and finance.

4. Does your selling staff (all departments) have the attitude of never giving up?

Or, if a prospect says no, do they perhaps follow up a few times then believe that the sale is dead? This is not meant to mean that they will stalk prospects and guests, but instead, that for some prospects, the sales cycle may take longer and *lead-nurturing skills* are a critical part of sales success. This is also not meant to imply that the selling staff should not create urgency and close as many first time sales as possible. That, quite frankly, is simply being professional and doing your best job. It is imperative for selling staff to understand that relevance (customization) to the buyer's needs in the sales process will create urgency and relevance



Karen Woodard-Chavez

in the follow-up process and will help to shorten the sales cycle. Is the selling staff making obligatory, generic contact, or are they following up with something that has value to the prospect to get them back into the club? Ask that question and get examples in your next sales meeting whether it is for membership sales, personal training, tennis, etc.

5. Are basics covered every day?

- Do we, as managers, communicate clearly to all staff at every level about how what they do affects the bigger picture of the business?
- Do we offer true differentiation in the market through our facility, programs, services, staff, equipment and culture?
- Do we offer an environment where all people feel welcomed?
- Do we have staff delivering our service and programs with confidence and esteem?
- Do we offer value every day?
- Does every staff person perform with the belief of making a difference in the day of every person that crosses his path?

There is no doubt that constantly assessing the outcomes of these five questions in your organization takes a lot more work and a lot more consciousness on a daily basis. Those who choose to do so will eliminate uncertainty and create more stability in 2010 and into the future.

(Karen Woodard-Chavez is President of Premium Performance Training in Boulder, Colorado and Ixtapa, Mexico. She can be contacted at 303-417-0653 or karen@karenwoodard.com)

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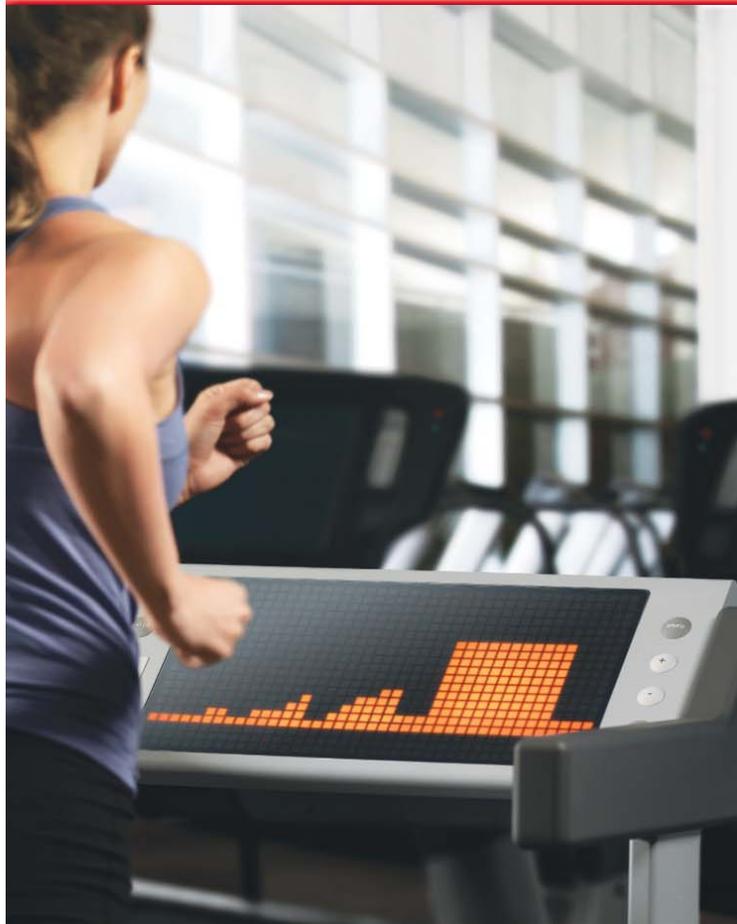
A club in Canada reports – “Fitness Managers are averaging PT packages of \$3,500-\$6,000 per PT deal.”

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## Larry Gulko Joins Cybex As Chief Marketing Officer

**MEDWAY, MA** - Cybex International, Inc. (NASDAQ: CYBI), a leading manufacturer of premium, high-performance exercise equipment for the commercial and consumer markets, announced today that Larry Gulko has been named its Chief Marketing Officer. In this role, Gulko will provide leadership and strategic direction to strengthen the company's market position, drive growth, and maximize the value of the CYBEX brand.

"Larry is championing our top-line growth by introducing game-changing global marketing and business strategies," says John Aglialoro, Chairman and CEO of CYBEX. "His tremendous energy, entrepreneurial passion, and depth of relationships are already enhancing CYBEX's brand equity and creating awareness for our distinctive heritage and superior products."

One of Gulko's first initiatives was securing a multi-year agreement for PGA Tour legend Greg Norman to serve as an official ambassador for the innovative CYBEX Golf Fitness platform.

"CYBEX is authentic. We're the real deal. Focusing on our rich heritage based on exercise science and building what our customers consider the world's best fitness equipment, we offer a unique value proposition designed to improve health, wellness and performance," says Gulko. "As we identify and seize new opportunities to build our brand, expand our markets and drive demand, our goal is to position CYBEX not only to succeed in today's ever-changing competitive landscape but to dramatically improve business performance."

Gulko has worked with a broad range of high-profile brands including Johnson & Johnson, Reebok, Gillette, PGA of America, Kodak, Siemens and LPGA, among others. A sought-after thought leader and motivational speaker, he has served as president and on the board of the American Marketing Association, Boston; advisory council at the George Washington University; is a frequent guest on NECN-TV *Business Day* and also created and moderates the Annual CEO Brand Leadership Forum for the Harvard Business School.

### ...Norm's Notes

continued from page 10

- **The International Council On Active Aging, a/k/a ICAA has named the winners of its 2009 Innovators Awards** programs and products that support wellness for adults ages 50-plus and they are:

- **EngAGE by The Garlands** (The Garlands of Barrington, Barrington, Illinois)

- **100 Ways to Wellness** (Kisco Senior Living-Heritage Woods, Winston-Salem, North Carolina; Abbotswood at Irving Park, Greensboro, North Carolina; and Heritage Greens, Greensboro, North Carolina)

- **Escape to Paris Challenge** (Sunnyside Communities, Harrisonburg, Virginia)

- **Get Fit For Space** (Schlegel-University of Waterloo Research Institute for Aging, Kitchener, Ontario, Canada)

- **The American Century** (Classic Residence by Hyatt, Chicago, Illinois) ICAA also selected **CogniFit Personal Coach** as this year's **Equipment Innovator**, an awards category that recognizes North America's most creative product for active older adults. CogniFit Ltd., headquartered in Yoqneam Ilit, Israel, created this online brain fitness program.

- **IHRSA** does an awful lot for its **Member Clubs** and for our industry, but there is nothing more important than the **Public Policy** efforts IHRSA is involved in *day in and day out*. I mean, whether you chip in and pay IHRSA dues for your club or not, your club *still benefits* from IHRSA's work. That's why I urge you to join IHRSA and support their efforts with your membership dues and some dollars to help IHRSA Public Policy efforts. To do that, contact **MEREDITH POPPLER** at (800) 228 - 4772 - Ext.

**129.** Let me mention that you don't have to own or manage a club to be an IHRSA Member. IHRSA also has *very reasonably priced Individual Memberships*. For IHRSA Memberships for your club or for yourself as an individual, contact **NICOLE JOHNSON** at (800) 228 - 4772 - Ext 197. So, no matter what you do in this industry, if you make your living in it, you really should be a card-carrying, dues-paying IHRSA Member! Please check out some examples of the work on Public Policy IHRSA does at [www.clubinsideronline.com](http://www.clubinsideronline.com).

- I hope to see and speak with you at **IHRSA 2010 in San Diego, March 10-13th!** Justin and I will be spending a lot of time at our **Exhibit #3810**. During the Convention and Trade Show, please keep an eye out for my black hat. I wear it so you can find me at these big events! Just come up to me and introduce yourself if I don't know you, as I'd really like to meet and talk with you. If I know you, I'm really looking forward to seeing you again!

- **God Bless** our troops, airmen and seamen as they fight for our security in two Wars "over there." **God Bless** you, your family and your clubs. **God Bless America!**

(Norm Cates, Jr. is a 36-year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of **CLUB INSIDER**, now in its 17th year of publication. Cates was IHRSA's 1st President, and a Co-founder of the Association with Rick Caro and five others, in 1981. In 2001, IHRSA honored Cates with its **DALE DIBBLE Distinguished Service Award**, one of its highest honors. Cates may be reached by phone at (770) 850 - 8506 or email at [Norm@clubinsideronline.com](mailto:Norm@clubinsideronline.com))

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# Programming Tip of the Month: Yoga Bears!

By: Sandy Coffman

Last month, I wrote about the importance of programming for kids. Certainly, one of the best places to start is with the very young, together with their parents, grandparents or caregivers. It will encourage family fitness and family retention. I love this one...

## Description

The Yoga Bears class is created for children 2-4 years old and their parents. The purpose is to provide a fun, unique experience for children and their parents, combining creativity and imagination with fitness:

1. Identify body parts and experience their movements.
2. Experience the difference between moving in a personal space rather than a general space.
3. Recognize and move in various

directions; right, left, forward and backward.

4. Execute simple but specific locomotor movements, such as walking, running and jumping. Learn body control by starting, stopping and holding still.
5. Execute simple non-locomotor patterns, such as bending, reaching, pushing, pulling, stretching, turning, lifting and twisting.
6. Move to music such as starting and stopping with music cues and reaching high or bending low with music cues.
7. Use props, such as soft balls, to develop hand-eye coordination, hoops to learn space control and balls or objects to kick. Learn how to catch, roll, bounce, bat or toss a soft ball.
8. Learn how to participate cooperatively in movement group activities by moving together, holding hands, sitting down and standing up or moving a big circle in and out. The group activity will

teach emotional control, sharing and patience.

## Tips for Success and Points to Consider

The music will be key to getting the children to move enthusiastically, but it will also help to teach consistent reaction. For example, play the same music that encourages the same movement every time.

- Specific music selections are a must: Try movie or television themes, such as the Pink Panther or the Charlie Brown theme. All the Disney songs are terrific.
- If your facility is small, and so is your budget, implement your kids' programs with simple equipment that is readily available, such as colorful hoops, balls, parachutes and tambourines. Simple activities can be fun, educational and challenging, such as balancing a bean bag on your head or on your knee or foot, throwing it in the air and catching it, or throwing it to another person to play catch.
- Having a mat, such as a yoga mat, for each child teaches the use of space and movement. Each child could have his own step to work on

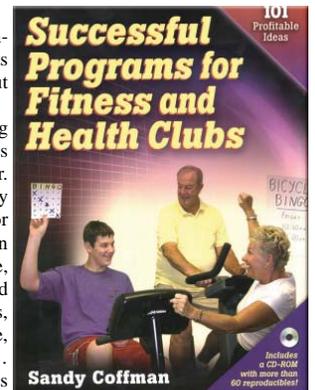
as well.

• Constant and positive reinforcement by the leaders --parents and teachers-- is important, but group cheers go a long way too.

• Recognition and awards using ribbons or buttons will always encourage a child to try harder. Find a reason to reward every child for something at one time or another. Many awards can be given for reasons other than performance, such as perfect attendance, good sporting behavior, friendliness, helpfulness, courtesy, perseverance, being the most improved and... birthdays! Building self-esteem is a sure way to build a life of fitness that incorporates the mind, body and spirit.

• At young ages, 2-6 years old, the ratio of students to teachers is best at about 6-8 students per teacher; therefore, the parent-child setup enables the class to be bigger. A larger class size encourages more sociability and will encourage children to make friends.

• Having a club mascot, such as a big Yogi Bear, will give you lots of



marketing opportunities and will surely be a fun and unique addition to your kids' programs.

(Sandy Coffman is the "Dean of Club Programming." To order Sandy's great programming book, *Successful Programs for Fitness and Health Clubs: 101 Profitable Ideas*, go to [www.humankinetics.com](http://www.humankinetics.com). Contact Sandy at [SLCoffman@aol.com](mailto:SLCoffman@aol.com) or visit [www.sandycoffman.com](http://www.sandycoffman.com))

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Owner, Gold's Gym Elite

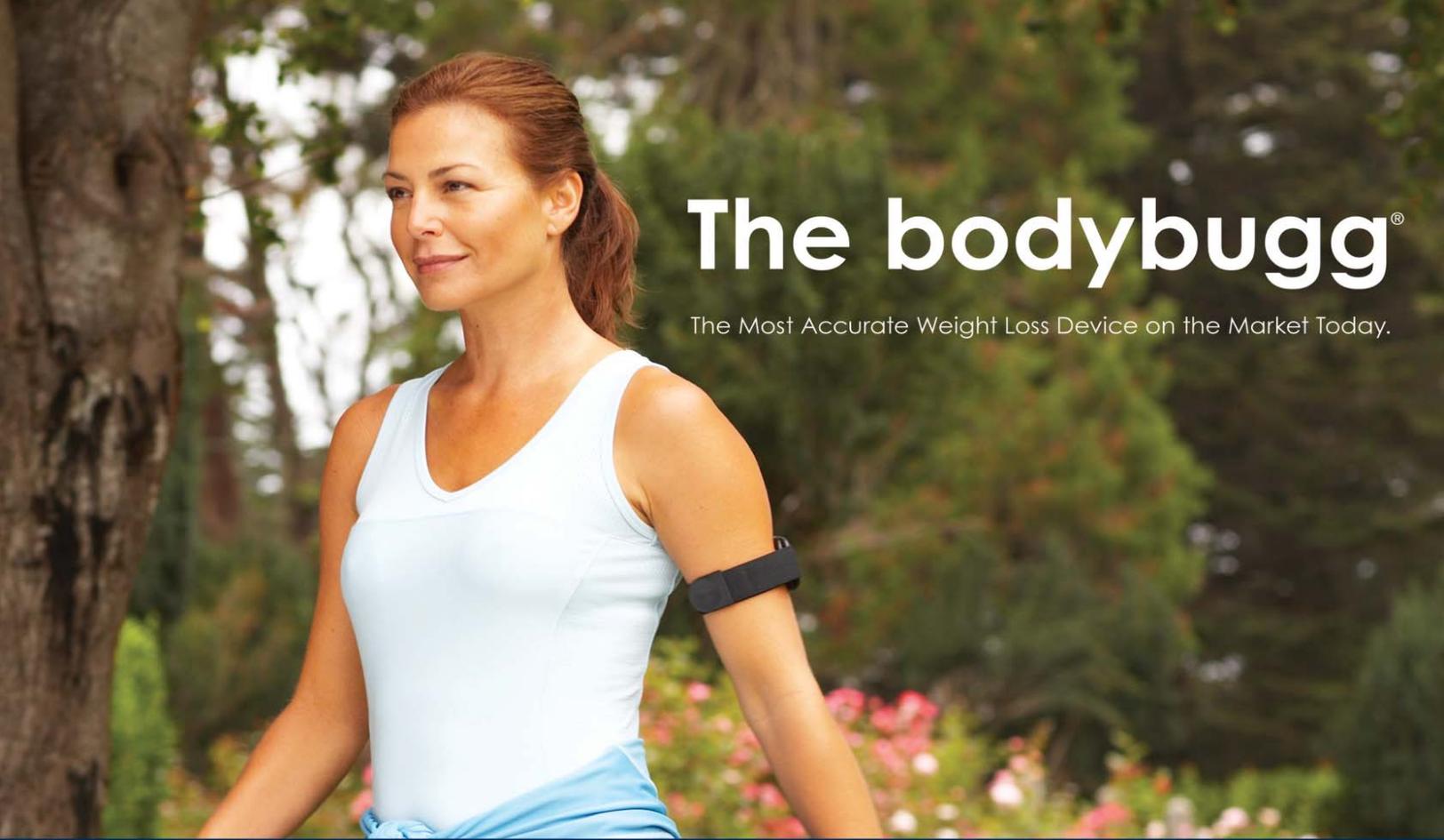
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