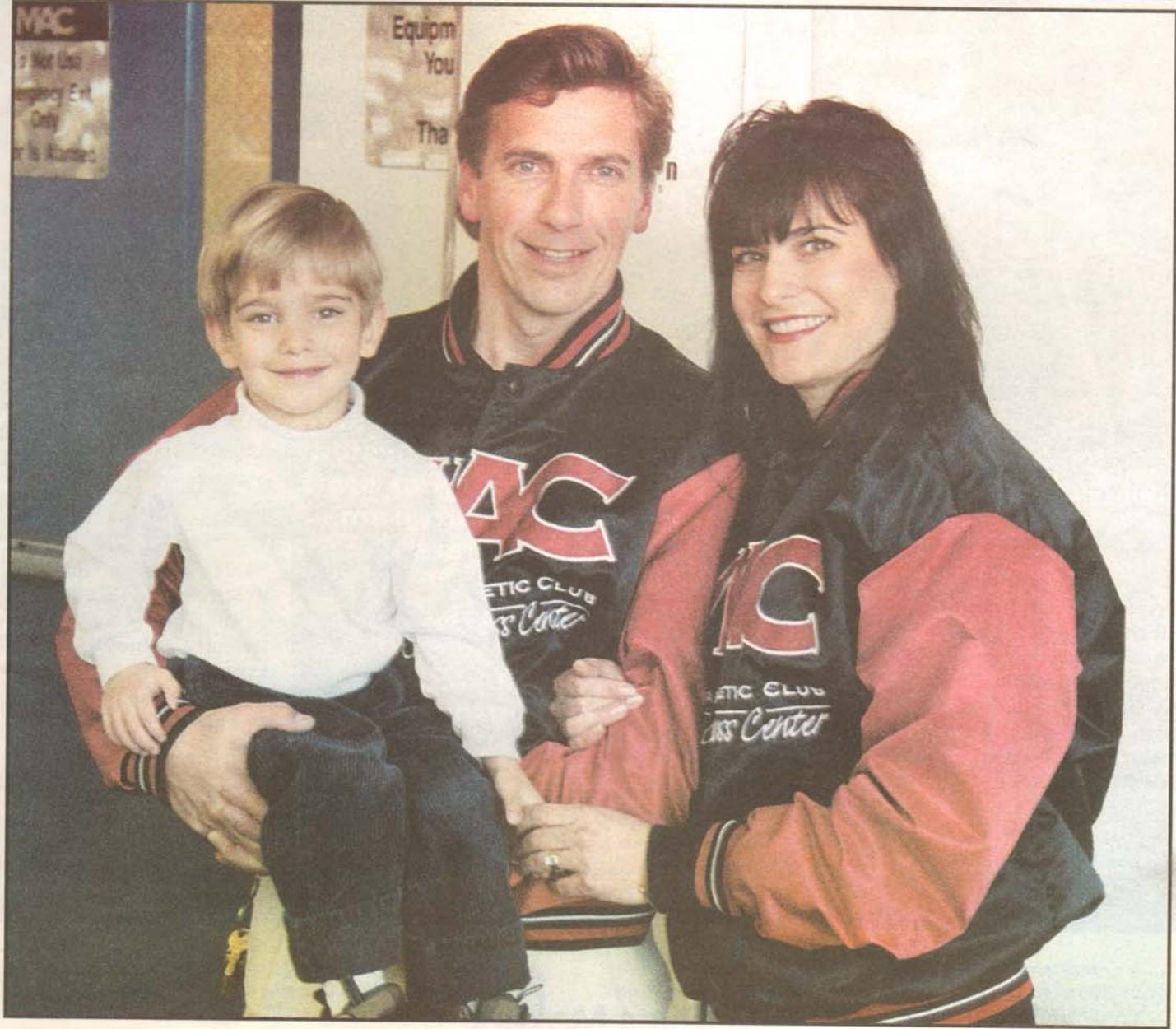


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Norm Cates'
THE Club Insider
NEWS

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



Tim, P. J. & Liz Rhode

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THE Club Insider

NEWS

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

TIM and LIZ RHODE The 'Club Of The Future' Is Now!

By Norm Cates, Jr.

PART I

Hold onto your hat! This introduction is not an exaggeration. After 27 years in the club industry, this writer has seen a couple of thousand health, racquet and sports clubs. Now, I have seen the 'Club Of The Future.' But, importantly, the 'Club Of The Future' is now. Tim and Liz Rhode are club visionaries of the highest order. They have shared in this interview, the product of their dreams, the Maryland Athletic Club and Wellness Center. Their dream is now a living, breathing reality, a facility whose prototype will be most dominate in the club industry in the year 2025. It is that far ahead and that well done. The MAC has been open less than four years, but has been developed into a club business that I would rate now as one of the Top 10 club operations in America. The Rhodes share many lessons, some obvious, some subtle, that could be very valuable to current and aspiring club owners. So, read on.

The MAC - A Club Business Success Dream Story

Prepare yourself for this club business success dream story. Do not sit down to read this piece unless you are prepared to spend the necessary time to read the article in

its entirety and carefully. Part I of this article is over 4,000 words long (not including the side-bar article on Laurie Cingle) covering 7 single space pages. We have tried to edit the story down, but that was impossible, without eliminating important information that might be important to you. So, we have made this a two-part article. Part II, coming in April is also over 4000 words long. The reason I am making these comments to you is if you miss reading this story carefully, you may miss something that could produce half a million or more dollars per year for your existing business or new club. What Tim Rhode, age 42, and his lovely wife, Liz, age 38, have done in Baltimore, Maryland, with the Maryland Athletic Club and Wellness Center, is more advanced than any club I have seen or reported on in the past 7 1/2 years in terms of its total package. I feel these introductory words are necessary to convey the significance of this story to our industry. So, grab a beverage, kick back and read about a club that may literally redefine the club industry as we know it now. It is that good.

The story of Tim and Liz Rhode and the Maryland Athletic Club is a club business dream story of vision, careful planning, very high standards, more planning and professional execution. The Maryland Athletic Club, in four-short years, has become one of the top performing and most progressive and innovative clubs in the world. The club has grown from 25,000 square-feet on Grand Opening Day to 60,000

square-feet, today. Membership has grown from 690 memberships on opening-day to over 5000 today. Revenues have grown from \$1,250,000 year one to \$5,500,000 in 2000, with a 16% profit margin!

Two Very Talented People Making Their Dream Happen

What do you get when you cross a former ski instructor and construction worker with a Cuban-born American woman beautiful enough to be in the movies? A beautiful little boy named T.J. (Timothy James) and The MAC, a.k.a the Maryland Athletic Club and Wellness Center.

Liz Rhode was born of Cuban-Italian parents who came to America in the early '60s. She grew up in the Baltimore area, attending private schools made available by her parents who were doctors. Liz graduated from Marymount University, with a major in fashion design. During the early 1980s she worked as a regional manager in the retail industry where she got a lot of her management experience before entering the club business. She had traveled to California where aerobics was booming and upon her return, she set out to find a health club where she could get involved in aerobic classes. Liz recalls, "I decided after I came back from California that I wanted to join a club. But I wondered where I could find a club in Baltimore that had aerobics classes as good as

those I had experienced in California. I came across the Padonia Fitness Center and Lynne Brick's terrific aerobic program. I became a member and loved it. I became an instructor for them. I really fell in love with the industry and the potential that fitness centers had. I approached Lynne and Victor and told them that if there was ever an opportunity in the future, I would really like to join their management team. I became a manager with them in 1987"

Tim Rhode had moved from Wisconsin to Oregon and began working construction, supplementing his income by working as a ski instructor. In 1982 Tim and a partner developed an indoor ski training center which they installed in a struggling tennis and racquetball club. That marked his entry into the club industry. After operating the club's ski training center, Rhode and his partner decided to market the program to clubs around the country and so they joined IHRSA in 1984 as an Associate Member. He attended not only the trade shows, but the management conferences as well, so that he would better understand what club operators were thinking and the issues they were facing. Rhode's second ski center installation was at the Aspen Hill Racquet Club in Silver Spring, Maryland. He had been constructing the ski center there for two weeks when the General Manager of the club left. In 1986, he was asked to manage the club tempo-

rarily and he took the job. The temporary job became a permanent one and Tim served Aspen Hill as General Manager for 7 1/2 years.

Tim Rhode left the Aspen Hill Club in 1993 to become a full-time consultant in the club industry. Liz continued to work with the Bricks until she married Tim in 1995. Together, they set out to create their dream. And, create a dream they did!

A Great Start Caused By Great Planning!

The Maryland Athletic Club and Wellness Center (The MAC) opened in September, 1996, with 25,000 square feet providing strength and cardio training, group exercise, flexibility, basketball & volleyball, nutrition and wellness programming and a Kid's Club.

The club has been highly successful right from the start. In 1998, an additional 13,000 square-foot aquatic center was added to the MAC. Revenues continued to rise. In 1999 the MAC expanded by another 6,000 s.f., doubling the strength training and cardio areas, adding a third multi-purpose room, doubling their personal training studio and expanding their assessment center. In 2000 the Rhode's, along with their Partner Phil Wendel, added the LifeStyle Center to the MAC, an 18,000sf wing aimed squarely at the deconditioned market.

The Maryland Athletic Club and Wellness Center Sales Team was honored by IHRSA in (See Rhode page 8)

Tools Management, Inc. and Brian Homan Decline Comment

The CLUB INSIDER News has been tracking and investigating numerous reports nation-

wide of the failure of Tools Management, Inc. to turn over club membership dues to clubs collected by Tools Management on behalf of

those clubs. The CLUB INSIDER News Publisher has spoken to six different club owner/operators that have disclosed and confirmed the losses of funds ranging from \$70,000 for one club, \$40,000 for another and other amounts in the range of \$6000 per club. The total verified missing amount is in excess of \$120,000 for the six clubs, whose owners we have spoken to so far in this investigation. We don't know if this involves a big-

ger problem.

After The CLUB INSIDER News repeatedly contacted Tools Management, Inc. President, Brian Homan, for comments, he asked us to hold any report for one month, to which we agreed. When we contacted Homan over one month later, he specifically requested that The CLUB INSIDER News give him the opportunity to reply with written responses to questions we have been asking.

However, after a list of 10 questions were forwarded by fax to Homan, we received the letter shown on page #5 from Jeffrey B. Kahn, Counsel for Tools Management, Inc. and Brian Homan. This letter was received by The CLUB INSIDER News after repeated verbal promises by Homan that he would respond in writing to the 10 questions he had received from us.

STAY TUNED for updates as they become available. (Go to page #5 for Kahn letter.)

Inside The Insider

- Laurie Cingle - MAC Wellness Director & World Class Non-Dues Income Producer
- Life Fitness Launches Certified Pre-Owned Program
- 'Make-It-Fun' With A 'Spring-Break' At Your Club!
- 2001 Club Business Status Survey Report

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• NORM'S NOTES •

My sincere condolences to **JOHN McCARTHY** and his family, for the recent loss of his Mother. May she Rest In Peace.

I spoke to our good friend, **DALE DIBBLE** today and he sounded terrific! Speaking of Dale and **OLIVE MAE**, in the year 2000, the Hyatt-owned **Bentley Village Retirement Community**, where the residents average age 77, may have set a new world record for community participation. 62% of the 850 households had at least one member who averaged 2 or more workouts per week at the **Bentley Village Wellness Center**, managed by Dibble protege, **DAVID LAHAIT!** And, **DALE DIBBLE'S** influence is all over the 170-acre property!

I was very happy to speak to **LYNNE BRICK** and to hear her tell me how well she is doing after brain surgery last month to remove a tumor! I was also happy to learn from reading the Brick Bodies newsletter that Lynne's husband, **VICTOR**, had learned how to fry an egg! My apologies to Lynne for misspelling her name in our February Norm's Notes.

In honor of **IHRSA'S 20th Anniversary, PROMOTIONAL ISSUES** of The **CLUB INSIDER NEWS** have been mailed to IHRSA's U.S. clubs in January, February, March and the last complimentary copy will be the upcoming April edition. So, we hoped you enjoyed The **CLUB INSIDER NEWS** and we urge you to arrange to **KEEP IT COMING** by simply filling out the **SUBSCRIPTION FORM** below and sending it along with payment by check or Ameri-

can Express to the address shown. The last promo issue will be the April edition and will have a wrap-up report on the Convention and Trade Show. And, if you would like to obtain the past issues from the previous 7 1/2 years of The **CLUB INSIDER NEWS**, we have those past issues available for \$39 per year.

Bally Total Fitness, a new **IHRSA** member, has reached the over \$1 billion mark in sales for the year 2000! **LEE HILLMAN** and his **Executive Management Team** continue to do an amazing job with the giant, 20,000 employee company. I had mentioned in last month's edition that I would have a report on Bally Total Fitness in this issue, but I put it on hold for next month for more research and so I can hear personal input from **BILL FANELLI**, Bally Senior Vice President of Operations and **HAROLD MORGAN**, Bally Human Resources Director and any **IHRSA** Member that would like to share his/her views about Bally. So, I will be at Booth #216 during the **IHRSA Trade Show**, so stop on by. I can tell you this. Lee Hillman and his team have come a **LONG WAY** since he stepped in to replace **MIKE LUCCI** and after talking at length to Lee, Bill and Howard, I remain convinced that they have a very strong dedication to the job of getting the Bally employees, right down to the everyday sales guys and gals, to doing the job right and according to the book. No matter what the **New York Post** might have told you. And, as I have said before, **Bally Total Fitness** is a lot like a

huge ship out in the ocean. It just simply will not turn on a dime. But, this Bally ship is indeed turning in the right direction and I, for one, am going to stay very close to their story as we watch how they accomplish their goal of getting that baby turned fully around. The fact is, overall, **Bally Total Fitness** is not only the largest, it is one of the most solid club businesses anywhere and getting better every day.

And, speaking of solid club businesses, man how about **MARK SMITH'S TOWN SPORTS INTERNATIONAL**. Mark and his **Executive Management Team** have just turned in some amazing figures with revenues hitting \$225 million, up 41% from the year before and **EBITDA** up 47%. My source tells me that **TSI** may just be the most well prepared club group

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in the U.S. to go public, if and when the markets improve for new IPOs.

Congratulations to **DAVE PICKERING** as he has just led the reacquisition of the **Corporate Fitness Network** from the Health and Fitness Corporation! Dave founded the Network about 10 years ago while with **IHRSA**.

For the first time ever, an individual in the club industry has been found guilty of a major embezzlement of money from a club. The individual has been sentenced to 1 year in jail, 5 years of probation and restitution to the club of the entire amount taken, \$25,000. Amen.

A great note from the Centers For Disease Control (CDC) here in Atlanta. A recent

study commissioned by the CDC and conducted by **ACE** Board Member, **DR. MICHAEL PRATT**, has provided evidence that sedentary lifestyles now cost Americans an average of \$864 per year in additional health care! Man, what a statistic for corporate membership marketing and sales.

JIM GERBER, one of the world's greatest club entrepreneurs, has gotten the **Western Athletic Club's (WAC)** membership attrition rate down to 19.6% which, as **JOHN McCARTHY** said, "May be a world record!" Jim and **PETE JONES** established the nine upscale club group about 20 years ago and have been going strong ever since. The WAC club group flagship, the **Pacific Athletic Club**, is on my Top 10 U.S. Club List. You have to see it to believe! (See Norm's Notes page 6)

Law Office of Jeffrey B. Kahn, P.A.

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Coral Springs, Florida 33065

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Attorney At Law
Board Certified Tax Law

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Telephone: 954-757-6100
Facsimile: 954-757-6110

March 8, 2001

VIA FACSIMILE 770-933-9698

Norm Cates
Club Insider News
P.O. Box 681241
Marietta, GA

Re: Tools Management, Inc.

Dear Mr. Cates:

I understand from Brian L. Homan of Tools Management, Inc., that you have made certain inquiries regarding this corporation.

Please be advised that none of the corporation's employees or any of its representatives at this time can comment or respond to your inquires.

Very truly yours,

Jeffrey B. Kahn

cc: Tools Management, Inc.

Norm Cates'
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...Norm's Notes

continued from page 5

lieve it.

•Congratulations to **MIKE MOTTA** Co-founder and President of **Plus One Fitness** in New York City, as Merrill Lynch has chosen Plus One Fitness to design, manage, and operate the on-site fitness center at their New York headquarters and administer the center's fitness, physical therapy, spa, and wellness programs.

•In last month's The **CLUB INSIDER** News, we published an interview with **TOM PROULX**, founder of Netpulse who is now actively pursuing an arrangement with the U.S. Bankruptcy Trustee in San Francisco to allow Proulx to salvage the operational aspects of the company and

move on with continued services for those that have the systems. Proulx told me he is no longer seeking investors to attempt to acquire the assets of the company out of Bankruptcy. Proulx has authorized me to publish a letter dated February 21, 2001 that was sent to the Netpulse customers. At this time, I am waiting to hear from Proulx about the situation with the Trustee. You can see Proulx's letter on page # 22 of this edition. As far as what is happening to the E-zone side of that deal, I talked to **LEE GUTHRIE** last week and he tells me that a number of possible situations are in discussion, but that nothing has been put together firmly. **STAY TUNED.**

•**STEVEN SCHWARTZ**, President of **Tennis Corporation of America**, has announced that TCA has taken over management of the **Meadow Club** in Rolling Meadows, IL.

•Congratulations to

COLIN MILNER, long-time industry veteran as he has been named by **IDEA** CEO, **PETER DAVIS** as the **President of The IDEA Health and Fitness Association**. Founded in 1982, IDEA has over 23,000 health and fitness professionals who are members in over 80 countries.

•**WALLY BOYKO**, Publisher of the **National Fitness Trade Journal and Trade Show** tells me that his show will be in Las Vegas, September, 6th, 7th and 8th. Wally has been around the industry for a long time and is a terrific guy. We will have an interview with Wally in an upcoming edition. For information on Wally's Magazine and the upcoming **Las Vegas Show**, call: (941) 830-0400 or go to: nationalfitness@aol.com

•Check out **MICHAEL SCOTT SCUDDER**'s club survey report on page #24 of this edition. Michael began conducting this survey when he became convinced that the country was headed into bill clinton's recession.

•**LOU BELLINO**, COO of **Cardio Fitness Center, Inc. (CFC)**, has reported a strong

fourth quarter with revenues up 30% over last year's 4th quarter. The increase in business comes at a good time as the first 3 quarters showed losses.

•Speaking to **TERRY MOFFATT**, Publisher and **JERRY JANDA**, Editor of **CLUB INDUSTRY Magazine**, I learned the details about an article **CASEY CONRAD** is writing about Fire Departments across the country and the fitness training they are starting to require for their Firemen. This is a terrific effort by **Club Industry Magazine**, **ACE & the IAFF** to connect the health, racquet and sportsclub industry with over 30,000 Fire Departments in the U.S. Terry tells me that fire fighting officials everywhere are compelling fire departments to work with local health club providers to provide fitness facilities or to create on-site fitness centers in the fire departments. My guess is that this could lead to a great opportunity for all commercial clubs in America. In fact, industry pioneer, **LLOYD GAINESBORO**, of the **Dedham Health and Racquet Club**, outside Boston, has a great fitness program for lo-

cal fireman. If you have some news about your club's work with Fire Departments, contact **Jerry Janda** at **Club Industry**, (610) 238-9307.

•**PETER MURPHY**, the lawyer who successfully defended a negligence suit brought against the **Q Club** in South Florida, is quoted in the February 5th issue of **Lawyer's Weekly** as saying that he believes **AED** (automatic external defibrillators) will soon become "the standard of care in the health club industry."

•**IHRSA's March, 2001 Convention Edition of Club Business International Magazine**, (formerly CBI Magazine), is very interesting and it a real collector's item. We will have a recap of that edition next month in our April, 2001 post-IHRSA Report.

•See you at **Booth #216** in **San Francisco!** **STAY TUNED.**

The CLUB INSIDER News World View

•**The Konami Company** announced on February 21s that it bought 54.64% of **People Company**, Japan's largest fitness club operator. Konami, Japan's major game software developer, paid 69 billion yen (\$594.5 million) for People control.

•**MIKE BALFOUR's Fitness First** has now opened 140 locations in 6 European countries, outdistancing all UK competitors. Fitness First has 50 more clubs in the pipeline moving rapidly through development. And, get this, shares of the Fitness First stock have increased 28% since New Year and are trading at about 60 times earnings! It's current market cap is \$857.24 million.

•**HARM TEGELAARS**, CEO of London-based **Cannons Group**, has obtained backing to take the company private, according to a report on the **Dow Jones Newswire** on March 7, 2001. The shares rose 5% upon news of the buyout. Cannons opened 9 clubs last year and expect to open 9 more this year. Revenue in Cannon" 45 clubs rose 32% last year with pre-tax profit up 31%

•**Champneys**, the UK's leading resort spa, will soon open a 32,000 sq.ft. facility in **London's West End**. That will be **Champneys third health club**. Dues at **Champneys CityPoint** will exceed **\$300 per month**. Founded in 1925 by famed naturopath, **STANLEY LIEF**, the **Champneys Spa**, located on 170 acres 45 minutes from Heathrow Airport, offers over 100 different spa treatments in 44 different treatment rooms. **Fitness and Leisure Holdings**, a private investor group, also owns the **Piccadilly (London)** and **Brussels Champney** health club locations.

•**STAY TUNED!**

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Specialty:
 Sales & Marketing
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Credentials:
 Owner of Club Profit
 Systems. Has consulted
 for hundreds of the top
 clubs around the world.



Janet Lossick

Specialty:
 Sales & Marketing
 Prospecting/Retention

Credentials:
 22 years in the Fitness
 Industry, Marketing
 Consultant, Former
 GM & Sales Manager.



Mary Jo Chaiken

Specialty:
 Customer Service
 & Operations

Credentials:
 20 years as a Supervisor/
 Front Desk Employee
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...Rhodes

continued from page 3

1999 with the Sales Team of the Year Award. In 2000, the MAC was chosen as The Best Club in the Baltimore area by both the Baltimore Magazine and the Towson [Maryland] Magazine. It is the guess of this writer that these honors are just the beginning.

Throughout the preparation, construction, opening and now after nearly four years of operations, the Rhode's have worked as a team. They've shared and managed all aspects of the business operations, relying on their complimentary skills and preferences to divide responsibilities as the times demanded. Initially Liz took responsibility for supervising most of the front-of-the-house functions: Reception, Kid's Club, Member Relations, along with most of the hiring and training. Tim watched the back of the house with market-

ing, sales management, accounting, maintenance and real estate matters. A core member of their management team from day-one, Laurie Cingle, supervised Fitness, Personal Training, Group exercise and the development of Wellness Programming. Together, Tim & Liz share responsibility on construction/expansion planning and execution and strategic planning. They now have a team of department heads and Division leaders who directly supervise these responsibilities including a new General Manager, Carol Himes, originally from the Sport & Health Clubs in Washington D.C.

We had the chance to speak with Tim and Liz by phone only because this writer's planned trip to Baltimore was snowed out by the weatherman. But, after reviewing the video and photos provided by Tim and Liz, I can tell you, this is some kind of great place!

An Interview With Tim and Liz Rhode

Q. Where did you two meet?

A. Liz responded, "I was always going to conventions and presentations, so I knew of Tim as he was always teaching at the conventions. I respected Tim like I respected other great industry people like Rick Caro or Curt Beusman and didn't think anything of it. It seemed like people were pushing us in the same direction to meet. We got together at one of the IHRSA Conventions."

Q. I asked Liz, do you have a particular 'cupid' that you would like to give credit to, or are there a whole host of cupids that deserve credit for you and Tim being together?

A. Liz, "It was Lynne and Victor Brick! They always wanted to see me happy. I guess they saw something that I wasn't aware of when I was around Tim. I guess they saw it before I saw it."

Q. Could you articulate for me the MAC's Mission Statement and your vision for the club in the future?

A. Tim responded, "The Mission of the MAC is for everyone to achieve his/her goals."

The Rhode's Primary Principles Of Management

Q. What are your primary principles of club management?

A. Tim- "#1 is to deliver what you promise. The customers have got to get what they came for. I've spent a lot of time speaking about that at industry conferences. It is something that we were determined to do. When people come to your health and fitness facility, they should get healthy and fit. We should accept as much responsibility for their success as possible."

"The 2nd principle is we surround ourselves with good people." Liz adds, "We really try to contribute to people's growth and advancement. That's a tall order, especially when staff is growing rapidly. You can find yourself stretched thin. When we say that the MAC's Mission is for everybody to achieve his/her goals, that includes not just our members, but our staff and our investors."

"A 3rd principle is that the facility has got to work, and it has got to be clean. That sounds pretty fundamental, but it is important. We started out as a big, open, 40 year-old, greasy warehouse, and we cleaned it up and painted it and put some finishing touches on it. What it has given

us is a facility where we can practice what we call 'line-of-site' management. After our own experience in club management, we both spent 3 solid years consulting full-time with facilities in North America, Europe and Australia. We've seen or managed a lot of operations that were challenged because of how they were laid out. They get cut up and become difficult to manage. So, we wanted to be able to practice what we call 'line-of-site' management. No matter where you are in the place, you can see everybody and everybody can see you. It helps you run with a lighter staff ratio, and yet the members have better coverage. However, because we have made three expansions in 4 years, it is no longer as simple as it first was. While the core of the MAC still offers us the 'line-of-site' management ability, we've tried to keep each respective area open so you can still see from one end to the other.

Liz- "The 4th principal is to be innovative and not to be afraid to try something new. When we came into this market about 5 years ago, we kind of broke into the wellness market. We thought it would attract a much larger and more affluent market and it has. It has also allowed us to intrigue, attract and afford a higher caliber staff. We positioned ourselves well to be able to do that." Tim- "When you innovate, it kind of sets you apart from the rest of the market for both members and staff. People want to come and work for an innovative company. It challenges them on a different level. We also try to be innovative on problem solving. We believe you can't solve tomorrow's problems with yesterday's thinking. We like to take a fresh look and ask, 'Why does that have to be that way?' What are some different approaches to solve problems?"

MAC INNOVATIONS THAT WORK

Q. Give me some examples of innovative things you have done at the MAC?

A. Tim- "A great example is our Referral Membership. The idea - the goal was established by the problem of attrition: the high turnover rate of members that our industry has suffered from for years. We saw some of the best and brightest of minds throwing millions of dollars into fighting attrition for more than 10 years at IHRSA. And, having the same statistics 10 years later that they had when they started. 'The tire was still leaking.' So, we asked ourselves, 'is there some way for us to create a self-perpetuating membership base?' How could we do that? We started contemplating this concept of giving money back to members for referrals. We all (See Rhodes page 10)

The Maryland Athletic Club and Wellness Center Amenity Listing - The 'Club of the Future'

- 13,000 sq ft Aquatic Facility for aquatic exercise classes, lap swimming, lessons for adults and kids, physical therapy and rehabilitation.

- Lifestyle Center with Fitlinx Interactive Fitness Network™

- Conference Room For seminars, cooking classes, weight management & lifestyle programs.

- Gymnasium for basketball, volleyball, leagues and clinics.

- Newly Expanded Med-X Fitness Center with Med X, CYBEX and Ground Zero strength training equipment and free weight area.

- Newly Expanded Cardiovascular Center more than 100 pieces of new equipment with CardioTheater

- Two Group Exercise Studios for maximum variety in classes including Pump, Fat Burner, Boxing, Self Defense, STEP and Dance Aerobics.

- New Specialty Mind/Body Studio for yoga, TaiChi, Pilates, Qi Gong and more.

- Newly Expanded Personal Training Studio for staff of Personal Trainers to give the ultimate workout.

- Kid's Club for on-site child supervision.

- Steam, Sauna, and Whirlpool for real relaxation.

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...Rhodes

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know we can't always keep people from quitting. But, if there were a way for your membership to replace your attrition, as opposed to your marketing budget or your sales team replacing attrition, you would have a lot easier row to hoe and spend a lot less money. We worked on a lot of financial models to test this out before we ever started the MAC. In fact, while we were consulting, we were reluctant to recommend the plan to our clients because we weren't sure it would work. We applied it to the MAC when we first opened. What we did is price our memberships so we could give people back \$5 a month for every person they referred that became a member. We would keep giving that \$5 for each month that their referral remained a member. We call this plan our 'Silver-Bullet', it works so well."

Q. What are your monthly dues?

A. Tim- "\$54 per month when we opened and \$79 per month now."

Q. So, let me get this right. A member sponsors one new member. That member stays, so the sponsoring member gets a \$5 dues discount as long as his friend stays. Then let's say, he sponsors 3 more members, all of whom stay. That would mean his dues would be reduced from \$79 per month now to \$59 per month. Or, ultimately, to zero, should he keep sponsoring new members that stay. In effect, your members can develop their own little operation which can re-

duce their dues greatly.

A. Tim and Liz - "That's right. And, if one or two of those members leave, all of a sudden, he is paying \$10 per month when he wasn't paying anything. He's probably not going to take the day off to work to find somebody to replace them, but he is most likely going to look around. That program has worked very, very well for us. It helps so much when you do a price increase. If you have members who balk at a price increase, you can say to them, 'if you would like to avoid the price increase, why don't you take advantage of our member referral program? If you bring us one or two members you could actually be paying even less after the price increase.' I can't tell you this program has accomplished the goal of making our membership base 100% self-replenishing, but, it takes care of more than half of it. And, in a business where you are trying to sell 1,000, 1,500 or 2,000 memberships a year, to have half of those brought to you spontaneously by your members, really lightens the load."

Q. How did you go about scheduling your dues price increases?

A. Tim- "After a year and a half, we went from \$54 to \$59 per month. (Jan. '98) In January, 1999, we went to \$69. In January, 2000, we went to \$74. And, this year in January, we went to \$79."

Q. Tim and Liz, these regular dues price increases remind me of our friend, Rick Caro, who has always advocated dues price increases for clubs. Did Rick have any influence on your thinking in this area?

A. Tim and Liz - "It was



(Back row L to R): Liz Dumont, Success Director, Stephen Holt, Technical Director, Karen Dubs, Marketing Director, Kevin DeShields, Group Fitness Director, Ann Gisriel, Aquatics Director, Helen Whelan, Swim Programs Director, Julianne Carroll, Reception Director, Ashley Harrison, Maintenance Director, Tracey McGuigan, Kid's Club Director **(Front row L to R)** Laurie Cingle, Wellness Director, Kevin Sweeney, Fitness Director, Tony Santella, Membership Director, Donna Diamond, Controller/Accounting Director. **Front row:** Tim, Liz & TJ Rhode

both Rick and Curt [Beusman]. Both of those guys have been tremendous influences on us. We are also still sticking to the one membership type that 'Brother Beusman' was advocating 15-years ago."

Q. How much do you charge to join?

A. "Our enrollment fee is \$80. When we started, it was zero for the first 300 memberships. Every 300 memberships we went up in \$40 increments. The enrollment fee is \$80 for an individual, couple or family. Dues for a second adult or Seniors are \$59 a month. Dues

for kids are \$20 or \$25 per month depending on their age."

Q. What are some of your other MAC innovations?

A. Another very important innovation at the MAC is our 'Success Program.' Our Success Program plays right into our first principal and Mission Statement, which is that everybody should achieve his/her goals. When you enroll at the MAC, you can participate like you do in any other club. Sign up and pay, maybe take a fitness assessment and get an exercise prescription if you want to. Or, you can come in, shoot basketball, take a swim and we won't bug you. But, most people that come in the

door come here because they have something that they want to accomplish. That is why they are here. We decided to take the initiative and have our Fitness Specialists talk to our new members about their goals. We originally were calling this our goal tracking program and then changed it to success, because it was more palatable in marketing. What we do is sit down with the member and discuss their goals. Let's say your goal is to lower your blood pressure, or lose 20 pounds, or get off of insulin or just to work out three times a week. Our Fitness & Wellness Specialists will help you take

(See Rhodes page 12)

Partnership Creates Legendary Solutions for Health and Fitness Clubs

Health and fitness club owners are in the business of making their members 'physically' fit. Well, it's about time you pump up your club's internal operating systems making you 'fiscally' fit!

What makes a club a weakling?

There are many frustrations business owners encounter, but one of the biggest is trying to manage a computer network in-house. This can lead to employee misuse, improper software, equipment failure, data loss, outdated equipment, security issues and so on... Does this sound familiar? Are you jeopardizing your business by not properly maintaining your most valuable data: your member base and billing?

One way to stay fit is by cutting fat

Legend Information Systems, Belmont Financial Services, Fitness Venture Group and FutureLink Corp. formed a strategic partnership called Legend, that lets the health and fitness industry outsource critical functions, thereby keeping internal systems trim and fit. At the IHRSA show in San Francisco, Legend announced the addition of two additional partners, BookingPlus and First Credit Services, giving club owners even more options including Internet Resource Scheduling.

Legend offers the most comprehensive and flexible management and technology applications for all aspects of a club's business. It includes highly customizable front and back-of-

fice options, accounts receivable management, EFT processing and collections and a robust e-commerce offering. Clubs have the ability to offer members such features as customizable workout and nutrition modules and detailed fitness information. Pick as little or as much of the Legend solution that fits your club's needs, and then concentrate on your most important job, servicing your members and selling memberships. The Legend Solution can be run over a traditional network or an ASP Hosted model.

But what does this mean for MY club?

Legend takes the hassle out of managing your club, whether a single facility or the largest chain in the world. Most gym owners are not Information Tech-

nology (IT) experts. It makes good business sense to bring in the experts to create, build and maintain the IT system by renting the applications, hardware and IT services and allowing your staff to do what they do best - sell memberships and assist members in achieving their fitness goals.

Legend's web-based solutions allow your employees to access your database anytime, anywhere, without worrying about any of the maintenance. Free, behind the scenes updates are performed routinely, helping your business run as smoothly as possible. Customer retention is increased due to better service, real-time delinquent accounts are current and new revenue is created with its e-commerce capabilities.

Show me the money

An important factor to any club owner, the Legend solution

can actually make money for your club. "Within the first month that the Legend solution was implemented at nine of our clubs, we collected more than \$20,000 in overdue membership fees," said Jeff Skeen, CIO of Gold's Gym International.

Legend can turn your web site into a highly interactive, revenue-generating extension of your club, by offering customizable workout programs, club calendars, discussion groups and much more. Additional savings can be realized when it comes time to maintain and upgrade your club's systems by centralizing your network and central database.

The Legend solution is a valuable investment for any club or chain wanting to stay in the forefront of the health and fitness industry. Isn't it time you pump up your club?



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LEGEND CHANGES THE FACE OF THE HEALTH AND FITNESS INDUSTRY.

Legend is the one source that provides customized state-of-the-art membership management, transaction processing, accounts receivable management, 24/7/365 support and so much more. All easy to use with the flexibility to meet any facility's present and future needs.

Legend is a revolutionary partnership that unites the "best of breed" in critical categories. It starts with Legend facility management software. Add in Futurelink to provide world-class IT infrastructure, Belmont Financial Services for accounts receivable management and EFT processing, First Credit Services to handle collection problems, BookingPlus to provide class and resource scheduling and FitnessInsite.com to provide Internet services and fitness/nutrition content. Your life will be a lot simpler with more time to do what you do best...grow your business.

As **Legend**, these combined skills and talents

are available to you as the total, one source solution. You can rely on **Legend** today and in the future. The power of this one, new entity presently is utilized by industry giants such as Gold's Gym International.

That says a lot.

Legend makes your life easier. You benefit from leading edge technology and services without complexity. The system responds whenever you want it to because it can be tuned and tailored to your specific requirements and you and your employees don't need to be computer experts.

Consider the advantages of working with a partner that places facility owners at the center of its corporate culture.

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...Rhodes

continued from page 10

goals, large or small, and break them down into milestones. This is something from my ski instructor days where we had to teach people through progression. We used that same methodology here by setting their goals, milestones, dates for achievement and help them assemble a plan to accomplish that. All of this at no charge beyond their monthly dues. It is standard service at the MAC. You can be in the success program for 10 years without additional cost. Our Fitness Specialists each have 150 members or so whose goals and success they are tracking. They keep track of the monthly member goals that they are in charge of and how many are accomplished on a quarterly basis. Our fitness staff have an incentive on the percentage of members that are in the program, as compared to the total membership, and what percentage of those are hitting their goals on a quarterly basis. Our fitness staff is actually paid based upon how many of our members reach their goals. Our full-time fitness specialists here can earn an extra \$1,000 per quarter pretty easily by being sure that at least 70 or 80% of their assigned members are reaching their goals. It applies their skills to achieving some kind of an outcome. A third important innovation is our Lifestyle Center addition to the MAC of 18,000 square-feet and we will talk more about that later."

Q. How do you keep your members abreast of their referral status regarding their dues?

A. Liz- "Every month we

send out a billing statement to our members so they know exactly what we charged on their account. On that billing statement it will show that John Smith referred David Jones and Smith would have a credit for \$5 on his bill. So, the deduction, and the individual's name shows up on your billing statement each month. That keeps it right in front of the member. So, if David Jones were to cancel out, John Smith would realize it on his billing statement."

Q. Do you bill where people send a check in for the bill or do you do EFT for the total amount each month?

A. "We stayed away from billing and collections by checks. While I was at the Aspen Hill Club, I had inherited a process there where some of the members were able to pay by check and some were on EFT. It was a mess. There were times where we had aging receivable in excess of six figures! And, I think a lot of clubs struggle with the same thing. We were always scrambling to try to catch some people for the money they owed us. When we opened the MAC, we just said, 'No way!' Everybody pays their full bill on EFT each month, end of conversation." Liz- "And, we bill two weeks in advance. So, for example, on March 15th, you would be billed for April 1st dues. So, if there is anyone in arrears, their credit card doesn't go through, or their draft check bounces, we've got two weeks to recuperate that loss before they get ahead of us." Tim- "Our bad dept has never been much more than one half

of one percent." Club Insider- "That's a tribute to doing things right from the beginning." Tim- "That's what we tried to do with the MAC. We tried to do as many of those things right as we could."

Q. "How many years ago did you two have this vision for the MAC?"

A. Liz- "Individually, before we met, I knew there was a need for something 'different' because of where our industry was going. I wanted to do one club and do it truly well with a lot of innovative programs where we didn't have to try to open up a lot of smaller locations around. I wanted to focus on one really quality, substantial size facility. When Tim and I came together professionally and then personally, we kind of shared our visions. By just staying on top of our industry, we figured out that this wellness concept is really where the next age is and if we are going to do something, we should jump on it now. I guess the concept went through a lot of phases of evolving and solidified in 1994/95. Tim- "We started developing the business plan in early 1994. That was when we started assembling some of our own approaches to management and financial modeling. The last week in 1994, we found the building we are in right now. We spent most of 1995 negotiating a lease on that building and finally, we started construction in January, 1996."

Q. "If I remember right, you were trying to buy a building that was 54,000 square-feet, but you only

built out and opened 25,000 square-feet. Is that correct?"

A. Tim- "That's a good part of the story. We were planning a 40,000 square-foot facility with aquatics and everything else. But, the building was only for sale, and we didn't have access to that kind of money. We were about to lose the whole thing when we decided to cut back and just do the dry part of the club with 25,000 square-feet of leased space. That is when the investment came together, the lease came together, we got a start and it took off like a rocket. And, a year later, with Phil's help, we were in the rest of the building developing our aquatic center. So, it really worked out great that we took a step back, then took two steps forward."

Q. "As you began the development thinking and planning, found the building, created your plans, looked for financing and investors, etc., at some point you acquired the assistance of Rick Caro of Management Vision didn't you?"

A. Liz - "It happened a couple of different ways. Rick was a mentor to us. When we were consulting, Rick was instrumental in putting us together with many clients, including our fabulous future partner, Phil Wendell, [Atlantic Coast Athletic Club] down in Charlottesville, VA. We also hired Rick to do our market feasibility study for the MAC. It was really important to be sure that there was plenty of business in this area and that we weren't coming into this neighborhood at anyone else's expense and that there were enough people in the community to support a wellness center. Rick re-

ally did a great job on the market feasibility study. Without that market confirmation from Rick, we would not have proceeded. Without Rick's putting us together with Phil, and Phil believing in the two of us and what we are capable of doing and producing, we wouldn't be on the phone with you today, Norm."

PART II - COMING IN THE APRIL, 2001 EDITION

Part II will appear in our upcoming April, 2001 edition. We will talk more with the Rhode's partner, Phil Wendell. We will discuss the MAC club numbers, the MAC Management Team, the Rhode's involvement with IHRSA and the Faust Executive Roundtable #1, club industry consolidation, their view of the 3 biggest challenges facing the industry and how the Rhode's balance work and home. Part II of this article is over 4,000 words long as well. We suggest that after you have completed reading this article that you take pen and paper and jot down all of the club industry lessons, both obvious and subtle, that you have found. Then, while reading Part II, do the same thing. This will provide you with a truly meaningful club business 'case-study' that you may use as a guide for your club(s) future. We hope it helps. STAY TUNED!

(Norm Cates, Jr. is the Publisher and Editor of The CLUB INSIDER News. Cates, a 27-year health, racquet and sportsclub industry veteran, was the 1st President of IHRSA and a Co-founder of the Association in 1981.)

Laurie Cingle - MAC Wellness Director and World-Class Non-Dues Income Producer!

By Norm Cates, Jr.

If you wonder how Tim and Liz Rhode grew the MAC to \$5.5 million in such a short time, meet one of the reasons, Laurie Cingle.

Laurie arrived at the MAC just in time to be a major contributor to the new MAC Team. She came with experience at the world-famous Houstonian in Houston, Texas, where she built a huge Personal Training Program, among other great programs. And, she spent time at Gale Lander's Fitness Formula club group in Chicago.

Laurie has quickly developed the MAC's Personal Training Program into a machine that produced \$650,000 in revenues last year. Tim Rhode and Laurie say they are projecting \$770,000 in PT this year!

Laurie was honored by IHRSA in 1992 with the Fitness Director of the Year Award. She is an experienced and sought after writer and is joining The CLUB

INSIDER News Contributing Author Team this year! She also served on the IDEA Board of Advisors and is an international speaker as well as frequent speaker for IHRSA and Club Industry.

When an opportunity became available to work with Gale Landers in Chicago on the opening of the Gold Coast Multiplex, Laurie jumped at the chance to join the team. After 2 years of successful operation, the Gold Coast Multiplex was a real player within the Chicago club market. When Tim and Liz Rhode contacted Laurie about the role of Wellness Director for their new start-up, The Maryland Athletic Club and Wellness Center, Laurie was ready for a new challenge. She joined the Rhode's and has been instrumental in advancing the concept of wellness within the MAC and surrounding community. The Rhode's, the MAC members and Laurie Cingle are all lucky for such a nice fit. A brief conversation with Laurie easily explains one of many reasons why the



Laurie Cingle, Wellness Director with friends Whitney, Jake & Stonie

MAC is just booming. We contacted her in Baltimore to hear a little about her career.

Q. "Laurie, how did you get started with your huge

success in developing Personal Training Programs for clubs?"

A. "When I was hired by Dr. Neil Sol at the Houstonian, I had never really worked in a real club before. [Just my little aerobic

studio.] In one of our early meetings, Neil said to me, 'I want you to be profitable in personal training every month'. But he didn't tell me how to do it. I didn't know what

(See Cingle page 21)



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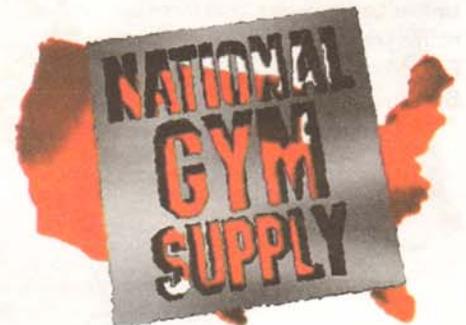
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In 2000, **Ground Zero** unleashed the Free Motion™ System, an engineering marvel that makes true functional training possible, practical and simple.

Suddenly, clubs were able to offer their clients an unprecedented advantage! Rather than being restricted by the limitations of traditional strength machines—which isolate target muscle groups—members could now work their entire body and muscle groups the same way they get used in real life. Club trainers could now help members develop **personalized** workouts geared to very specific goals, achieve better **results** and have more **fun** in the process.

Ground Zero sent shockwaves through the industry, producing one of the most successful launches in commercial fitness history with \$10 million of sales in its first year. Nearly 700 facilities (national chains, independent clubs, rec centers, universities and rehab clinics) across the country are already using the Free Motion System enthusiastically to **reach their business goals**.

Come see again why so many club owners (and even competitors) were talking about Ground Zero the minute they left IHRSA last year. Unlimited motion is still the key to gaining **unlimited results**, and there's nothing quite like the growing Free Motion System.



The Evolution Has Begun

Ground Zero Design is stronger than ever! Recently acquired by ICON Health & Fitness (the largest fitness company in the world), Ground Zero has the rock-solid support of a \$750 million company that holds more than 170 patents. The breakthrough thinking of Ground Zero, infused with access to state-of-the-art research and design, product engineering and manufacturing facilities, has inspired an evolution.

Strength training product development is being expanded. The Ground Zero product line now also includes a **revolutionary series of commercial cardiovascular fitness machines!** And more exciting things are on the way. You can count on Ground Zero to continue transforming the industry with a wide variety of innovative training systems for years to come.

Free Motion Products: Something Big Is Coming

Free Motion enables club members to work their body like the unique individuals they are. But that doesn't mean they have to work them alone. With group programs enjoying monumental popularity, Ground Zero is about to unveil **"the next big thing"** in functional training. A radical new concept will be introduced at IHRSA, so plan now to be one of the first to see this buzz-generating new program.



THE EVOLUTION

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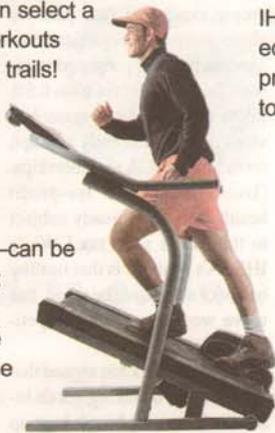
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The Ground Zero sales team is your source for NordicTrack's® new, commercial-grade cardio machines. Backed by a lifetime motor warranty, these heavy-duty treadmills, ellipticals and bikes provide exceptional performance under the constant pounding of the busiest 24/7 clubs. Visit Ground Zero at IHRSA to see **Trekker™, the ground-breaking cardiovascular product** that forges an entirely new category. Unlike anything else on the market, this patent-pending product can raise to an extreme 50% incline or drop to a 5% decline. Members can select a variety of preprogrammed workouts that simulate actual mountain trails! And thanks to smart, modular design, the standard monitoring consoles on all commercial NordicTrack cardiovascular products—including Trekker—can be upgraded any time to feature:

Cable TV—offers each member a personal, private viewing right on the machine (includes headphone jack)
OR

iFIT.com™—provides complete cable tv and Internet access to our award-winning website that can stream personalized workouts and adjust the speed, incline and resistance of all our cardio products!



iFIT.com Makes Workouts More Fun

Every commercial NordicTrack cardio product can be fitted with an iFIT.com console. This **remarkable integration of multimedia and machine** personalizes and enhances workouts! iFIT.com is a powerful, patented Internet technology that enables members to:

- perform a complete personal fitness assessment
- develop long-range aerobic and strength workouts
- access nutritional programs
- record workouts and track progress online
- surf the web
- watch TV and listen to the radio
- select music paced just for their workout
- and much more—**all right there on the workout machine!**

In addition to the training and entertainment value it offers for attracting and retaining new members, iFIT.com can generate additional revenue streams! A recent IHRSA study found that nearly 2/3 of all club members have fitness equipment at home. Now when your members register and purchase products through iFIT.com, a portion of the sales goes directly to your club!



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Ground Zero Representative Today at 1.877.363.8449!

IHRSA's Capitol Report

Capitol Report Reprinted Courtesy Of IHRSA

STATE LEGISLATIVE UPDATE

For more information on any of these bills, visit the Public Policy section of <http://www.ihrsa.org> (click on "my state").

ALABAMA: Senate Bill 49 would require each public school student in grades K through 12 to take one hour of physical education instruction each school day.

CALIFORNIA: Assembly Bill 357 would increase the cap on health club fees from \$1,000 to \$5,000 per person per year. There would be exceptions to the cap for clubs that maintain a bond, or that have been in business in the state for at least 5 years.

CONNECTICUT: Vincent Samsone (The Fitness Edge) testified at the hearing on Senate Bill 430, which would authorize the use of tobacco settlement funds for grants to municipalities for permanent recreational facilities. The concern is that these facilities might compete with taxpaying clubs. The committee was appreciative of his testimony, and one legislator suggested that these funds would only be used in more economically deprived areas.

MASSACHUSETTS: House Bill 3263 would establish a physical education requirement in public schools.

MICHIGAN: House Bill 4141 would require the operator of a health club to do both of the following: (a) at all times during which the club is open, have at least one employee on the premises who has completed a course in basic first aid and cardiopulmonary resuscitation; and (b) implement an emergency plan to address emergency services, when needed, during operational hours.

MONTANA: Senate Bill 151 passed the Senate Committee on Business and Labor by an 8-1 vote. Unfortunately, that committee amended the bill so that it would only restrict competition from university fitness centers, not community fitness centers.

NEW HAMPSHIRE: House Bill 558 would apply a tax to health club dues. IHRSA members testified at a public hearing on the bill.

NEW YORK: Does the state's \$3600/year cap on health club fees concern you? To see how close your members are to reaching that cap, add up your initiation fee, dues they pay in a year (family membership included), a year's worth of personal training fees, locker rental, etc.

To address this problem before it reaches a critical stage (as it already has in California), New York club operators are organizing to make a very limited and precise change to the state health club statute. They propose to simply eliminate or raise the cap. If you are interested in participating in this effort, or for more information, please contact gr@ihrsa.org.

WASHINGTON: Ten club managers & owners attended "Olympia Day" and met with lawmakers to discuss industry issues, including the burdensome sales tax on club dues. "Overall, it was a great day as our people got to experience firsthand how the legislative process works," said Scott Gilreath, Seattle Regional Manager of Western Athletic Clubs. "Interest in our legislation is positive," he added. Gilreath and George Eusterman testified yesterday at a House Finance Committee hearing in favor of House Bill 1575, the sales tax repeal bill.

WYOMING: House Bill 135 passed the House, but fortunately the Senate amended the bill to remove the language that would have taxed health club admissions.

RIDLEY YMCA FIGHTS OFF CHALLENGE TO HEALTH CLUB EXPANSION

A ruling by Pennsylvania's Commonwealth Court allows the Ridley Area YMCA to expand its health club facilities while still receiving tax-exempt status as a charitable institution.

The court rejected arguments by the Sports Club, which challenged the Y's plans to expand its health club facilities less than 3 miles away from the Sports Club and in direct competition with it. The Sports Club argued that the Y's expansion violates provisions in the state's Institutions of Purely Public Charity Act, which prohibits charitable institutions from owning, operating or financing a commercial business or substantially expanding a pre-existing commercial business.

According to Dave Cohan, owner of the Sports Club, the defenses used to support the position of the Y were actually advanced by the court and had not been used by the Y in its plead-

ings. "We will argue these new defenses — the case will be appealed to the Pennsylvania Supreme Court," said Cohan.

Fred Greenberg, attorney for the Sports Club, plans to re-argue the case. "We have made significant progress and I'm optimistic that further prosecution of [this] case, ultimately to the Pennsylvania Supreme Court, will be successful and give some teeth to the statute," he said.

BUSH PROCLAIMS FEBRUARY 2001 TO BE AMERICAN HEART MONTH

In February, President Bush proclaimed February 2001 to be "American Heart Month" and invited governors and the American people to join him in reaffirming the commitment to combating cardiovascular disease.

"More than half of American adults are overweight and obese, about one in four are sedentary, and another third are not active enough to reach a healthy level of fitness," Bush noted.

Since taking office, President Bush has continued to make physical fitness a priority. White House Press Secretary Ari Fleischer described the new chief's routine to the Washington Post: "Typically at the end of the President's business day, he will go back to the residence, go for a run and work out. He has some exercise equipment there. He has ordered some weights. He likes to keep in shape. He runs a 7 1/2-minute mile. He hopes to keep being able to run that."

MINNESOTA GOVERNOR RECOMMENDS HIGHER FEES FOR NONPROFITS

About 230 people, many of them employees or volunteers for tax-exempt groups such as the YMCA, crowded into a legislative hearing room in Minnesota last Wednesday to comment on Governor Jesse Ventura's proposed top-to-bottom restructuring of state tax policy.

While Ventura wants massive changes totaling billions a year in both state and local tax systems, most of the testimony focused on a tiny part of the plan: a proposal to increase taxes and fees paid by some nonprofit organizations.

"At a time when nonprofits are asked to do more and more, it seems to be of little value to ask them

to redirect dollars to pay taxes," Pat Lynch, a Minneapolis YMCA executive, told the House Tax Committee.

Lynch and other representatives of nonprofits particularly criticized Ventura's recommendation that cities be allowed to impose a fee on nonprofit organizations to pay for police and fire protection.

"The governor can call it a fee, but it's really a tax — a tax on nonprofits, which shouldn't have to pay it," said Lori Fritz, vice president of the Minneapolis Jewish Federation.

MINNESOTA GOVERNOR PROPOSES EXTENDING SALES TAX TO Y'S

Last week we reported on Minnesota Governor Jesse Ventura's proposal to increase taxes and fees paid by some nonprofit organizations. Ventura has also proposed to reduce the state sales tax from 6.5% to 6% but extend it to many services that are currently exempt, including YMCA memberships. [Dues and fees of for-profit health clubs are already subject to the state's sales tax.] While IHRSA's position is that healthy behavior should not be taxed, this move would be a fair competition victory.

Ventura has argued that the sales tax, by taxing goods instead of services, hasn't kept up with a fundamental shift in the nation's and the state's economy. Under a Ventura-style tax code, Minnesotans would pay less in income and property taxes and more in sales taxes, especially for services.

CLUB SUED BY FORMER MEMBER WITH TOURETTE'S SYNDROME

A New Jersey health club has been sued by a man with Tourette's syndrome who claims that his membership was terminated because of his disability. The suit claims that the gym violated the state law against discrimination when it kicked him out.

Tourette's syndrome is a rare neurobiological disorder

that causes tics — sudden, rapid, and involuntary gestures and vocal outbursts.

The letter terminating the membership said there had been "numerous complaints from members and staff" concerning a "constant disregard" for club etiquette and conduct.

"This is a medical condition," the former member told a reporter. "If I could control it, I would do it."

Discrimination lawsuits involving people with Tourette's are not common. Nationwide, cases are made most frequently in employment and housing cases, and often suits are brought under the Federal Americans with Disabilities Act.

According to news reports, an Illinois man and his wife sued their condominium association, charging they were discriminated against because of his Tourette's. In August, the association paid him \$310,000 to leave.

In a Michigan case, a supermarket fired a courtesy clerk and bagger with Tourette's who used obscenities and racial epithets in front of customers. An appellate court ruling upheld the firing in November, saying the employee's constant cursing made him unqualified for that particular job.

In October, a jury in New York City awarded \$750,000 to the Metropolitan Museum of Art's former assistant banquet manager after finding the museum's food contractor had fired him illegally because of the disorder.

Under New Jersey's discrimination law, businesses cannot withhold service to a person based on his or her disability unless providing such service would cause the business an undue hardship. This is similar to the federal Americans with Disabilities Act (ADA), with which all U.S. clubs must comply. E-mail gr@ihrsa.org with any questions about the ADA or for a free copy of IHRSA's ADA briefing paper.

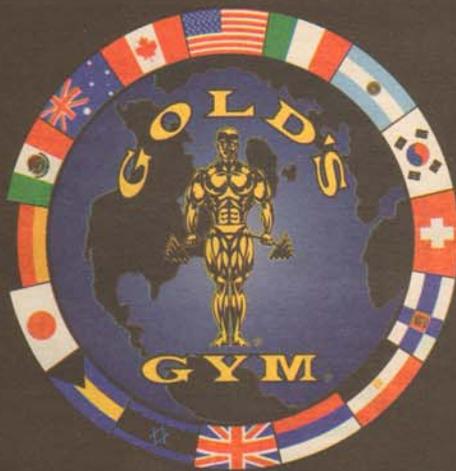
PHILADELPHIA TRIES TO LOSE 'FATTEST CITY' TITLE

The City of Brotherly Love, which two years ago earned the distinction of being America's fattest city, is trying to shed the lard.

Led by Mayor John F. (See *Capitol Report* page 20)



**BRENDA AND PLEASANT LEWIS BUILT
THEIR BUSINESS FROM THE GROUND UP.
THE GOLD'S GYM NAME HELPED
THEM TAKE IT TO ANOTHER LEVEL.**



THE LEWIS FAMILY HAD BEEN IN THE HEALTH CLUB BUSINESS IN THE WASHINGTON D.C. AREA SINCE 1985 AND WERE QUITE COMFORTABLE WITH THEIR OWN NAME AND IDENTITY, IRON WORKS GYM. BUT WHEN THEY CHANGED THEIR CLUBS TO GOLD'S GYM, THEY SOLD MORE MEMBERSHIPS THAN THEY EVER THOUGHT POSSIBLE. BRENDA AND PLEASANT'S SUCCESS, IN FACT, HAS HELPED THEM OPEN SEVERAL ADDITIONAL GYMS, INCLUDING A 32,000-SQUARE FOOT FACILITY IN ORLANDO AND ANOTHER ONE ON THE WAY. AND IF YOU ASK THEM, "IT WAS THE BEST BUSINESS MOVE WE EVER MADE." TO FIND OUT HOW YOU CAN BECOME PART OF THE LARGEST INTERNATIONAL GYM CHAIN, CONTACT THE GOLD'S GYM FRANCHISING DEPARTMENT TODAY AT (310) 392-3005 OR VISIT WWW.GOLD'SGYM.COM.

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FOR FREE INFORMATION

MAKE IT FUN WITH A 'SPRING-BREAK' AT YOUR CLUB!

By Sandy Coffman

There is a new season approaching. It's almost SPRING-TIME, and it's time to help get the smiles back on the faces of your members. As with every good program, you need enough lead time to plan ahead, prepare, and promote.

I'm sure that many of you have many ideas so why not use them all and MAKE IT FUN for a full week. In fact, why not call it SPRING BREAK at (Your Club).....

Choose a week, let's say, the 1st week in April. Each day of the week would be a special event.

What a great opportunity to get all those NEW MEMBERS who joined your club in the first quarter of the year and need to have some programming to either get them started or keep them going.

What a great opportunity to get all those INACTIVE members back into the club having FUN while getting re-committed to your club and their fitness program.

What a great opportunity to get all those missed sales, past

guests, and PROSPECTIVE members to come into your club and experience how much FUN a membership would be. A SPECIAL EVENT is perfect GUEST DAY.

What a great opportunity to give your EXISTING MEMBERS a "break" and a little diversion from their regular workout routines. That's RETENTION!

This is also a great opportunity to program to all your NICHES - ages, genders, interests, and skill levels.

MONDAY could be called, "TAKE ME OUT TO THE BALL GAME."

A series of round robins and short fun competitions would kick off the week in style. With the baseball season getting underway across the country, a PITCHING CONTEST would certainly be in order. A PING PONG tournament would be lots of fun and easy to set up. If you have any RACQUETBALL courts, a round robin for an hour could precede a round robin of WALLYBALL. SQUASH, TENNIS, BASKETBALL and VOLLEYBALL are other options or additions to the day's events. Some of you would

be able to do all of these events, but I bet most of you could certainly manage three or four of them.

TUESDAY could be the "CLUB-A-THON!" The participants could take their choice between a THREE MILE RUN, a TWO MILE WALK, a HALF MILE SWIM, or a FIVE MILE BIKE.

WEDNESDAY could honor SPRING CLEANING! Begin with a special group exercise TEAM TEACHING SESSION including a bit of STEP, STRENGTH TRAINING, STRETCH, or even LINE DANCING or a little SALSA. After the class, your club could host a Spring Yard Sale or a Craft Fair. You could have five, ten, or even twenty tables (booths) set up around the club with various items for sale. Crafts, antiques, jewelry, cosmetics, etc. Each table or booth would have to donate a door prize and a grand time could be had by all. The ladies would love it, and I'm sure it wouldn't take much effort to come with a luncheon idea to complete the day.

THURSDAY would

have to be a SPRING FLING FOR SENIORS. A special chair exercise class, FUN AND FITNESS FOR SENIORS, could begin the day followed by a special AQUATICS CLASS. Coffee, cookies, and sandwiches would give just enough energy to everyone as they learn how to create a beautiful SPRING BOUQUET or CENTERPIECE at a workshop in your club from a local florist. For a small fee, everyone could take home their own arrangement.

SATURDAY would be a perfect day to get everyone involved. Include the kids and make it a FAMILY SPRING PICNIC or better yet, your own club's EASTER PARADE. Invite the kids and families to decorate bikes, scooters, and wagons. Don't forget an EASTER BONNET contest. Include a FRISBEE TOSS, a BEAN BAG EVENT, and possibly a TUG-OF-WAR, and the day is sure to be a winner. A good old fashioned ICE CREAM SO-



Sandy Coffman

cial and a BAKE SALE would top off the day.

Don't forget to take pictures. Who needs to get on an airplane to somewhere for SPRING BREAK!? This could be an annual event that everyone would look forward to year in and year out. Put your creative caps on, put a smile in your planning and MAKE IT FUN!

(Sandy Coffman is the President of Florida-based Programming For Profit and the world's premier expert on programming and retention for clubs. Sandy may be reached at: (941)795.7887)

...Capitol Report

continued from page 16

Street, a fitness fanatic, and Pat Croce, owner of the NBA's 76ers and a former fitness trainer, the city is trying to get residents to lose a combined 76 tons in 76 days.

In 1999, Men's Fitness magazine named Philadelphia the least-fit city in the country after a survey showed nearly 30% of its residents were obese, and only 16% exercised regularly.

Street, a now-trim 57-year-old who once weighed nearly 300 pounds, makes regular use of the gym he had installed in his City Hall suite after taking office last year. He even has a full-time fitness czar.

"He knew that if other citizens became more disciplined with their health, they'd be more disciplined with their lives," said Gwen Foster, a childhood friend of the mayor and the city's "health and fitness czar."

Dropping a combined 76 tons in a city the size of Philadelphia is hardly an impossible task. The city has about 1.5 million people, and 76 tons amounts to 152,000 pounds. To make its

goal, the city hopes to coax 30,400 residents to lose an average of five pounds each.

Participants who sign up for the program are given a brochure with fitness tips and asked to report back on how much they lose in 76 days. Large employers including the Internal Revenue Service, PECO Energy Co. and the school district are promoting the event, some with special workout classes. Some private gyms are offering reduced fees.

For more information on this program, visit <http://www.phila.gov/fitandfun>.

A NOTE ABOUT "LOOK OUT FOR THE UNION LABEL"

A feature in the March issue of CBI magazine told the story of a fitness facility operated by Nova Scotia Community College in Canada. CBI featured "Look Out for the Union Label" to illustrate the unique challenges of dealing with unions in our industry, but did not make it clear that this particular facility is NOT a club member of IHRSA. The Community College is one of IHRSA's university affiliates — a program which was started to provide information on the club industry to schools involved in sports management education. These schools are training many of your future employees who, we hope, will

(See Capitol Report page 22)

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Life Fitness Launches Certified Pre-Owned Program

Premier, Refurbished Commercial Equipment Now Available At A Discount

FRANKLIN PARK, Ill. - Life Fitness, the leading manufacturer of a full line of cardiovascular and strength training equipment, has launched its Certified Pre-Owned Program, which offers Life Fitness used commercial equipment at prices as much as 50 percent lower than for new pieces.

"As the number one brand of fitness equipment in health clubs worldwide, Life Fitness is pleased to provide this new option to our customers," said Jay Megna, Executive Vice President/General Manager, North America. "Through the Certified Pre-Owned Program, we can provide customers with premium equipment at a greater value."

Facilities who prefer to buy new equipment also benefit by receiving residual value for their used Life Fitness pieces by trading them into the Certified Pre-Owned Program.

Extensive Refurbishment

Life Fitness has strict certification standards for its pre-owned equipment to ensure the highest quality. Unlike some other pre-owned equipment, all quality-

ing Life Fitness equipment must meet sophisticated, factory-certified quality standards. Each piece is carefully disassembled and diagnosed, rigorously tested according to a comprehensive, 25-point checklist, fit with new, genuine Life Fitness parts, rebuilt to original specifications and fully assembled, so it is delivered ready to use.

All Life Fitness Certified Pre-Owned equipment carries an unprecedented one-year warranty on parts and labor.

Product Availability

The Certified Pre-Owned Program is currently available in the United States, Canada and select international locations. Life Fitness offers convenient financing options for Certified Pre-Owned customers. Product stock changes regularly and orders are subject to product availability. Numerous cardiovascular pieces, including treadmills, upright and recumbent Lifecycle exercise bikes, Total-Body Cross-Trainers and stairclimbers are available. Selection is limited to isolated units for Life Fitness selectorized strength equipment and Hammer Strength plate-loaded machines.

For more information

about the Certified Pre-Owned program, contact Life Fitness by calling 800-735-3867 - press 5 and enter 2746.

Brunswick Acquires Omni Fitness

FRANKLIN PARK, Ill. - Life Fitness, the leading manufacturer of a full line of cardiovascular and strength training equipment, today announced that its parent company, Brunswick Corporation, has acquired Omni Fitness, Stamford, Conn., Life Fitness' largest retail dealer with 60 stores across the United States. This transaction follows the partnership agreement made in 1999 in which Life Fitness took a minority position in Omni as part of a strategy to expand distribution.

"The dealer channel remains strategically important to our success in the commercial and consumer segments," said Kevin Grodzki, president of Life Fitness. "This acquisition affords us the opportunity to gain additional knowledge of the operations and management of a commercial and retail business, ultimately broadening our understanding of the needs and

wishes of our customers and improving their buying experience. This will assist us in developing and marketing products and services that will help our customers meet their fitness and wellness goals."

The Omni Fitness operation will be run as a completely separate business unit, with a dedicated management team responsible for running the day-to-day operations. A Board of Directors including representatives from Brunswick, Life Fitness and the Omni Fitness management team will guide the strategic direction of the enterprise. Former Omni Fitness CEO Tom Stark will serve in a consultative role. Kimberly Bors of Brunswick will serve as acting General Manager until Stark's replacement is named.

Omni will be operated as an independent dealer of Life Fitness products and other complementary equipment and accessories, continuing to provide the products and services it has always provided in the past. No plans have been made to change the inventory or the names of the stores, and Omni will be treated the same as when it was an independent dealer of Life Fitness and the same as all of Life Fitness'

partner dealers.

"Brunswick and Life Fitness are very committed to the strategic, long-term success of our dealer network and will continue to support all our dealers," said Grodzki. "At this point, there are no plans to purchase any other dealers or to sever any relationships. We will continue to conduct business with all our dealers as we have in the past. Based on the structure of the dealer agreements, there is no territorial overlap between Omni Fitness and our other dealers, so we will continue to support all of them."

About Life Fitness

Life Fitness, a division of Brunswick Corp., is the global leader in designing and manufacturing a full line of reliable, high-quality fitness equipment for commercial and consumer use. Its cardiovascular and strength training products, including the renowned

Lifecycle exercise bike, are used in health, fitness and wellness facilities, as well as in homes, worldwide. The company is headquartered near Chicago and distributes its equipment in more than 120 countries.

...Cingle

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I was going to do. So really, the personal training business that I run in clubs was an accident that I developed myself with no experience at all and it worked really well. I based it on my belief that trainers should really be full-time trainers and not half-time fitness instructors and half-time personal trainers. What I recognized in personal trainers is that they are independent workers, but, they like being associated with a group - a club. As long as they are clear on the expectations of the job and the boundaries or lack of boundaries, they like to be left alone to do their work. Most trainers are highly motivated to help people achieve their health and fitness goals and they are also

motivated by money. I had to reorganize things at the Houstonian right from the start. We changed the compensation structure for the two personal trainers that were there because they were getting 80%, which is too much. And, we added one more full-time person and as soon as he made an amount of money that I considered full-time, then I would add another trainer. For personal trainers, I consider 25 appointments a week as full time because when you are a trainer you must wait around, make phone calls, do research, etc. So, 25 actual training hours actually equates to a 45-hour week. My trainers are on a quota. They have to do a minimum dollar amount every month. I don't base it on sessions. I view personal trainers as sales people. So, that is how I treat the business. When people know

they have to sell \$4,000 every month to keep their job, it is amazing what happens. That is how I grow the personal training business. As time evolves, new trainers hear about the facility and they apply for a role. Fitness instructors that have been in their job for a while are also moved into the personal training department."

Q. "Laurie, Tim told me you did about \$650,000 in personal training here last year. How many full-time personal trainers do you have here?"

A. "Yes and I was very disappointed with \$650,000! This year, I am on target and I budgeted \$770,000 and I am going to hit that! Right now, I have 12 full-time trainers. And, I have a few part-time trainers, but part-time trainers are em-

ployed here full-time as Fitness Specialists. They work 40 hours, but outside of their hours they do some personal training, so the part-time group brings in \$10,000 or so per month. So, there is your budget. 12 full-time trainers bringing in anywhere from \$4,000 to \$7,000 per month, plus 10 part-time trainers bringing in \$1,000 per month each. Another important factor is the compensation. If my trainers reach their quota or exceed it, they are paid 60%. If they go below their quota, they are paid 50%."

"So, the part-time people know they are going to make 50%. Plus, we have a team bonus structure so that if the team hits the bonus goal, they all get some extra pay. Our trainers receive a \$150 per year allowance per year for education. And, we

hired Stephen Holt last year to serve as our Technical Education Director. I run the business and Stephen's job is to do all the nitty-gritty biomechanics and physiology and makes sure our training staff and the fitness staff are talking the same language as far as our basic exercise philosophy."

Laurie Cingle is a terrific example of the professionalism found throughout the Maryland Athletic Club and Wellness Center. And, she is a great example of why the MAC is truly 'The Club of the Future.'

(Norm Cates, Jr. is the Publisher and Editor of *The CLUB INSIDER News*. Cates is a 27-year veteran of the health, racquet and sportsclub business and was the 1st President and a Co-founder of IHRS in 1981.)

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Gold's Gym Selects Fitness Venture Group to Manage Worldwide Web Initiatives

PHOENIX, AZ - Fitness Venture Group ("FVG"), the leading provider of web-based software platforms and electronic customer relationship management tools to the rapidly growing \$200 billion fitness industry has signed a three-year exclusive agreement with Gold's Gym International, Inc., the largest and most recognizable health club chain in the world, with more than 560 locations in 46 states and 34 countries, to oversee all of Gold's Gym's web initiatives.

As part of this far-reaching partnership, FVG will actively manage and maintain www.golds-gym.com that will now include personalized fitness and nutrition modules for Gold's Gym members and fitness enthusiasts worldwide. The software platform also allows Gold's Gym International to communicate with its corporate officers, vendors, club owners, managers, trainers, and more than 2 million Gold's Gym members.

"During the last 12 months, we have augmented our suite of interactive web-based solutions in order to provide a robust online experience for health club

members," said Peter Moore, Director of Business Development of FVG. "The Gold's Gym partnership validates more than seven years of developing the most personalized, interactive fitness and nutrition programs available on the Internet."

Since launching the fitness and nutrition programs in late December 2000, Golds.Gym.com has already achieved more than 2 million monthly page views and exceeded 20,000 online members in the month of January.

"Gold's Gym is already the most recognizable name in the 'bricks and mortar' fitness industry," remarks Derek Barton, Vice President of Public Relations and Communications of Gold's Gym International, Inc. "FVG has enabled us to extend our relationship with Gold's Gym members through the Internet and to offer the most customizable fitness modules available. Additionally, this long-term agreement allows us to broaden our reach to the 90 million fitness enthusiasts who already view Gold's Gym as the leading authority on fitness and

nutrition."

Fitness Venture Group and Thomas Plummer Company Sign Two-Year Strategic Alliance

Fitness Venture Group ("FVG"), the leading provider of web-based software platforms and electronic customer relationship management tools to the rapidly growing, \$200 billion fitness industry has signed a two-year agreement with Thomas Plummer Company, one of the most recognized management consulting firms in the health club industry. As part of this partnership, FVG will become the exclusive technology platform for The Thomas Plummer Tour and FVG will actively manage the company's web operation at www.thomasplummer.com.

"Aligning with Thomas Plummer Company - by far the best management consulting organization in the fitness industry - on an exclusive basis, reinforces FVG's technology leadership position in this market," said Peter

Moore, Director of Business Development of FVG. "With the grassroots support of the Thomas Plummer network, we believe FVG will quickly emerge as the web-based leader as a critical mass of partners, suppliers and health club operators embrace our service offering."

"Fitness Venture Group provides clubs with extraordinary communication tools, which revolutionize how they manage their member relationships," said Lloyd Collins, President of Thomas Plummer Company. "FVG's technological contribution will make a huge difference for our clients by providing critical business management tools and information to increase their sales and overall profitability."

About Thomas Plummer Company

Thomas Plummer Company has been involved in the fitness industry for more than 20 years managing, owning, and consulting health clubs. It is the first, and only, company in the fitness industry to do a nationwide semi-

nar circuit for health club owners on all aspects of health club operations and management. Thomas Plummer also does revenue and market research by tracking numbers in more than 900 health clubs nationwide.

About Fitness Venture Group

Fitness Venture Group is the leading provider of web-based software platforms and electronic customer relationship management tools to the \$200 billion health club, personal training, university & corporate wellness markets. FVG actively manages the web operations for a number of marquee clients, including www.golds-gym.com, www.busybody.com and www.bodyofchange.com. Across its network of sites, FVG hosts the most customizable and interactive fitness & nutrition modules available on the Internet. FVG's strategy is to align with well-established 'bricks & mortar' players to assist these companies in retaining members and enhancing their overall Internet experience.

...Capitol Report

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not be wearing a union label.

WORLD GYM WINS STOLEN-KEY LAWSUIT ON APPEAL

In 1996, the owners of World Gym in Fort Lauderdale, Florida, were sued for negligence and a jury award of over \$100,000 was entered against them.

The reason?

World Gym provided a key holder for the convenience of its members. On December 14, 1995, a thief entered the gym, took the keys to a Lexus off the key holder, and stole the car from the parking lot. Later that night, in an attempt to elude police, the thief was involved in an accident with a woman who suffered injuries to her back. That woman sued the gym, alleging that its operators were at fault for her injuries, in part because they did not adequately supervise the key holder. She called the key holder a "dangerous invitation to theft," because it was placed near the front door of the gym, just a few feet away from an area accessible to the public.

World Gym appealed the case, and has won. The Florida Court of Appeal ruled that the club owed no duty to the woman to protect her from the risk that a person would steal car keys off

its key holder and injure a third party.

YOUR OPINION, PLEASE: TAX DEDUCTIBILITY OF CORPORATE MEMBERSHIPS

Has your club staff been frustrated by its efforts to sell corporate club memberships? The law doesn't make the task any easier. Tax law permits corporations to deduct the cost of an on-site workout facility without passing those costs on to employees as a taxable fringe benefit. However, should a smaller business want to outsource this benefit and pay for memberships at your club, that business is fully responsible for that cost and must recognize it as a taxable fringe benefit for employees.

Help is on the way!

IHRSA is developing federal legislation which would allow health club memberships to be deductible by employers who provide this health benefit to their workers. In addition, language will be included that will exclude this benefit from being classified as additional income to employees.

This measure will be beneficial to club operators, help relieve the pressure on a strained health care system, and correct the inequality within our current tax regulations. It is our belief that the economic savings of a healthy workforce will make this tax proposal attractive to many legislators.

Would you support such an initiative by IHRSA?

Please take a few moments today to provide feedback on this topic through the brief survey located at <http://www.ihrsa.org/publicpolicy/survey.html>.

Thanks to those club operators who have already completed this survey.

Netpulse media networks

February 21, 2001

Dear Customer,

As you may be aware, Netpulse Media Networks has filed for Chapter 7 protection in bankruptcy court. That means that the company has ceased operations and is in the process of liquidating its assets. The purpose of this letter is to tell you what's happening and to answer questions about how this will impact your club and your members.

- Will there be a new company to continue servicing the network and Netpulse equipment in my club? The answer is, we hope so. We are working very hard on several possibilities to sell Netpulse's assets and network to an acquirer, including the possibility of the acquirer being a new company formed specifically for this purpose. As of today, no deal with an acquirer or a new company has been made, but I'll keep you informed as we make progress.
 - Until that time, what will happen to the network in my club? Because Netpulse has ceased operations, you may lose your Internet connection soon. The Netpulse Stations are still fully functional, except that users will not be able to log in or surf the Web. However, even without Internet connectivity your cardio equipment is still fully functional (profiles, resistance, heart rate will work as always), and your members can still watch TV, and listen to music CDs while they work out.
 - Should I disconnect the Netpulse Stations if this happens? Please don't. If you lose your Internet connection we recommend you place signs on the Netpulse Stations informing your members that the Internet connection is temporarily down but that everything else works just fine. This way, if and when an acquiring company takes over, service can be reinstated in a timely fashion.
- You should also tell your members not to try to log in at this time. Instead, at the first screen "Do you have a Netpulse ID?" they should touch the third button "I'll get one next time." This will take them into their workout immediately without timing-out while trying (and failing) to establish a connection with the log-in database over the Internet.
- Who do I call if a Netpulse Station needs service? If you need repairs on a Netpulse Station, Vital Network Services (VNS), the same company that Netpulse contracted with to provide field service, is available to help you directly. However, before calling them, if a Netpulse Station is not working (other than because the Internet connection is down) first try rebooting the machine. This solves about 80% of the problems. To reboot the machine, simply unplug, wait a few seconds, and then re-plug the power cord. Additionally, if it is a Netpulse Z Series machine, after plugging the power cord back in you may need to switch the power switch off and back on. The power switch is located on the side of the base unit of the Z Series.
- If this procedure doesn't solve the problem, contact VNS at 800-243-1030. Tell the VNS representative that you want to set up a service call for Netpulse equipment on a time and materials basis. (Otherwise they will politely inform you that they are no longer providing service for Netpulse.) VNS's services will be billed to your club.
 - What if no new company takes over? I will keep you informed of our progress. If we are unsuccessful in transitioning service to an acquirer or to a new company, I will let you know so you won't be left wondering. If we come to that point, I will do my best to inform you of your options at that time.
 - What if I have additional questions? Who can I contact? The best way would be to send me an email directly at thomas_proulx@hotmail.com. I will do my best to respond to your questions in a timely manner.

I apologize for the difficulty this has placed on you and your members. I'm doing all I can to try to resolve things as quickly as possible and in a way that minimizes disruption and uncertainty for you. Thank you for your patience and understanding.

Sincerely,

Thomas A. Proulx

New, In-Club Weight Loss Program Projects 200+K Annual Profit With Using Just 750 Sq. Ft. of Space in Your Club

Casey Conrad, long-time industry consultant, has developed a complete turnkey weight loss business that's designed to be installed within health clubs that combines proven weight loss programming with sales, service and marketing systems. It's easy to fit into almost any layout. It can add a valuable service to your existing members and help you attract an additional target group within your local area. Most importantly, it is proving to be a huge profit center. It's called HEALTHY INSPIRATIONS and here are the results from three of the nine existing centers:

HEALTHY INSPIRATIONS at Westerly, RI (Stand-alone facility):	\$110,000 gross	43% cash
HEALTHY INSPIRATIONS at Contours Express for Women, Warrenton, VA:	\$42,000 gross	40% cash
HEALTHY INSPIRATIONS at Bodez by Tasso, Ormond Beach, FL:	\$92,000 gross	51% cash

Call today to receive a **FREE 12-page info-pack** that gives you an executive summary of how HEALTHY INSPIRATIONS can give you extra profits and a valuable service to your club.

**FOR A FREE INFO-PACK CALL TODAY
CALL TODAY 1-800-725-6147**



CLUB EXCELLENCE PROGRAM



SERVICE IS JOB ONE!

Whether we call them customers, clients, guests, patients, patrons, passengers, employees, bosses—or MEMBERS, all of us must satisfy the needs or create "*moments of magic*" for someone in our day-to-day work.

Creating these "*moments of magic*" involves introducing everyone to a new approach—to take a look at the club "through your member's eyes." It also involves reviewing the basic concepts of member service; and ingraining in them the idea that the function of each employee is to acquire and maintain members; to make member service a "way of life" for everyone in the club!

To sign up now for the SERVICE IS JOB ONE! course in the **Club Excellence PROGRAM**...visit our website at: www.mentorU.com/faust/ club TODAY or call...

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TOP 10 BENEFITS of the *Club Excellence Program*

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9. Receive Great Training content from the experts—at home or club.
10. Provides a solid base of skills in 3 Critical Areas: *Customer Service, Sales and Management.*

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DO NOT MISS THIS!!

Exclusive For **THE Club Insider** NEWS

In the next 6 issues of The **CLUB INSIDER** News, Ray Gordon of Sales Makers will present "The Complete Membership Circle"

Sales Makers is very proud to be celebrating their 20th successful year of consulting for the health and racquet club indus-

try. Based on membership consulting experience in over 600 clubs and thousands of membership sales training sessions, Ray will write an in-depth series of articles combining member sales, member referrals, and member retention.

As our industry enters the 21st century, we have a tremendous opportunity to enhance

our credibility as a valuable part of a healthy lifestyle in the future. Selling the membership might very well be the easy part: encouraging the new member to actually change their lifestyle and enjoy the club will become essential as the industry continues to grow through referrals. Membership growth is not just

selling, but a combination of events and procedures that complete the membership circle.

Ray Gordon's vast experience and knowledge of the industry will make this series a must for all Sales and Marketing professionals.



Ray Gordon

2001 CLUB BUSINESS STATUS SURVEY REPORT

A Survey By Michael Scott Scudder

72 clubs reported to me in February versus 74 for January. There were 2 new clubs that reported for February. So I had 4 clubs that reported in January that did not report in February.

I want to remind you that this is a VERY INFORMAL survey. I simply have asked for percentage increases or decreases in sales. And I am not asking for walk-ins, call-ins or any of those numbers. I also destroy the email once I have recorded the results, but I DO know who the clubs are and what their size, type, etc. (see below for a little more on this). It's a very small sampling, but I have gotten just about equal numbers reporting from the 6 regions that I have noted below.

Interestingly, NO West Coast clubs have reported for 2 months! I assume that they would report GOOD news and not report BAD news. But, I can make no determination.

By region, sales for month in 2001 versus sales for same month in 2000:

Northeast - UP an average 13% for January (but skewed by one club that had an increase of 56%; otherwise would have been an average increase of about 5%); DOWN an average 8% in February.

MidAtlantic - UP an average 10% for January; UP an average 9% in February.

Southeast - UP an average 2% for January; DOWN an average 10% in February.

Southwest - UP an average 12% for January; DOWN an average 2% in February.

Midwest - DOWN an average 20% for January; DOWN an average 27% in February.

Canada - UP an average 10% for January; UP an average 5% in February.

While I realize that numbers are only numbers, even small samplings tell us something. Looking at averages, the 6 regions combined were UP 4.5% for January 2001 versus January 2000; and DOWN 5.5% for February same periods. Since generally many MORE memberships are sold in January than in February, I will assume that the averages show us SLIGHT GROWTH in membership sales in the industry in the first two months. However, not sufficient enough growth in sales to even match inflationary pressures on club expenses (which have consistently been at a 4% increase year after year throughout the 90's). In other words, are we already experiencing FLAT GROWTH in club membership sales?

Consensus numbers across the country appear to have changed rapidly in just

30 days. March's reports will likely tell us conclusively what is going on in the country, as March is normally one of the STRONGEST months for membership sales in most regions. If it shows down or sideways, and if this survey is at all indicative, I think the club industry has to take a FAST and SERIOUS look at its' growth patterns in a recessionary economy.

I suspect consumer confidence (actually, the LACK of consumer confidence early in this economic downturn, as evidenced by a 6-year low CCI, factory production numbers, and auto sales) is telling us something very valuable here. Although I have no hard statistics, literally DOZENS of phone calls and emails from clubs all around the country (most of whom DID NOT submit their numbers to me, because they are down) are giving evidence to substantially decreased numbers of walk-ins, call-ins and normal "response advertising" inquiries. It is possible that the general public is already re-trenching and making some choices about "luxury purchases." And, like it or not, health club membership IS consid-

ered to be a luxury, not a necessity, purchase.

Something else about this time around is this: we NOW have so much more INFORMATION and NEWS to process, that I think there is a possible "scare factor" going on with the public in general. In the early 80's recession and again in the early 90's, we did not have OVER HALF of the population in the stock market - now we do! And I think that the down market is affecting everything much more heavily than it used to. Don't know, just a theory... but I've seen that written about in several places already.

Of final note at this point are a couple of things: the clubs reporting steadiness and/or increases in sales have consistently been the larger clubs (above 20,000 square feet) with "captive" sales teams and experience in marketing; the clubs that have reported the worst results are all small operations (generally less than 10,000 square feet) without captive sales personnel and with a hit-and-miss approach to marketing. More perhaps on this when I see March's reports.

Hope this is useful... see you at IHRSA in a few weeks!

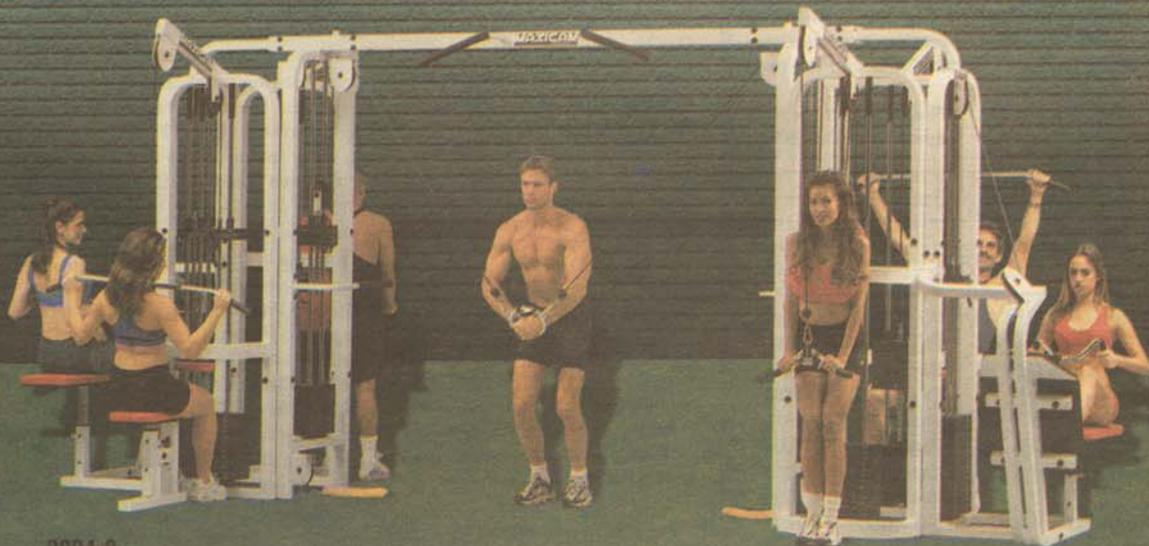
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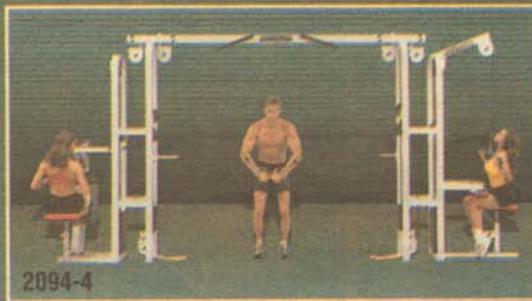
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GROUP FITNESS MANAGEMENT TRAINING

The 'Business' of Group Fitness

By Rich Boggs
Co-Founder & CEO
Body Training Systems

in membership sales from a Group Fitness program launch. Court-South in Knoxville, TN achieved these results when they launched BODYATTACK in their three clubs in November 2000.

IMAGINE: \$120,000

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IMAGINE: A 242% increase in Group Fitness participation in two years. Gold's Gym, Douglasville, GA achieved this by implementing all five Body Training Systems' programs.

IMAGINE: A 33% decrease in cost per member serviced in Group Fitness in one year. Gold's Gym, Worcester, MA achieved these results last year.

What do these clubs have in common? Each of their owners and Group Fitness managers have attended the Group Fitness Management (GFM) training by Body Training Systems which focuses on making a 'business' of Group Fitness and its corresponding impact on the bottom line.

Where has all of this come from? Les Mills World of Fitness in Auckland, New Zealand began developing the model in 1980. Starting with a Group Fitness studio holding 30 people, they have refined their operation to be one of the largest and most profitable in the world, as the following statistics will demonstrate:

Facility size	60,000 sq ft
Group Fitness space	20,000 sq ft
Largest Group Fitness studio	8,000 sq ft (300 people)
Members paying monthly dues	11,000
Monthly dues	\$65 @40% above market average)
Group Fitness visits per week	8,000
Classes per week	140 (three studios)
Retention rate	80%
EBIDTA	30%

How does your club compare? What systems do you have in place to produce similar results?

When Body Training Systems introduced BODYPUMP in August 1997, the industry perceived it as a unique exercise concept - a barbell class. Now clubs are discovering that Body Training Systems delivers Group Fitness SOLUTIONS for clubs by providing management training, systems, resources and programs that will dramatically increase member satisfaction and club profitability.

Body Training Systems is having worldwide impact with over 5,000 clubs in 50 countries utilizing these programs and management systems. These clubs are realizing the power of Group Fitness as a primary source of new members, improved member retention and a highly profitable way to service members. These clubs are taking advantage of the systems provided in the Body Training Systems' Group Fitness Management training. Mo Hagan, 1998 IDEA Fitness Director of the Year and Director of Fitness for the 60 GoodLife Fitness Clubs, is implementing Body Training Systems after attending the Group Fitness Management training. 'This was

one of the most user friendly, applicable management sessions that I've ever attended. I wish we all had that kind of vision to guide us. Every program director and club owner needs to

attend.'

The reason Les Mills World of Fitness is so successful is that they have understood the 'business' of Group Fitness. A very effective way to improve a club's profitability is by increasing Group Fitness class participation. Less cardio and strength equipment is required when more members are being serviced through Group Fitness, which reduces the cost per visit. This is why measurements such as revenue generated, participation and cost per Group Fitness visit are vital to managing the business of Group Fitness. Body Training Systems teaches club owners and Group Fitness managers the rewards of managing Group Fitness with the same intensity, resources and measurements that have proven successful in Sales and Personal Training. Body Training Systems provides the '3 M's' - Measurement, Management and Marketing - the tools to increase profitability.

Body Training Systems' programs, BODYPUMP, BODY-ATTACK, BODYFLOW, BODY-STEP (and RPM) are part of the management system. The programs are professionally pre-choreographed by a team of 25 choreographers and reviewed by a medical board of doctors and exercise physiologists to ensure each member's experience is simple, fun, effective and safe. Body Training Systems delivers professionally written scripts that the instructors bring to life in their own special way, similar to all the performing arts from Broadway to the Big Screen. Body Training Systems operates a \$6 million dollar budget and employs 200 professionals to deliver these World Class programs and systems.

In 1996 4.8% of the Australian population participated in Group Fitness. By 1999 the participation had increased by 2.3 times to 11.1% of the population according to Australia's Bureau of Statistics. It is significant to note that Body Training Systems was introduced in the Australian market in 1995 and currently Body Training Systems' programs are in approximately 50% of all clubs in Australia. This same potential exists for your own market.

The upcoming dates for Group Fitness Management trainings are March 15 at East Coast Alliance in New York and March 21 at IHRSA in San Francisco. Attend the Group Fitness Management training and get started in the 'Business' of Group Fitness!

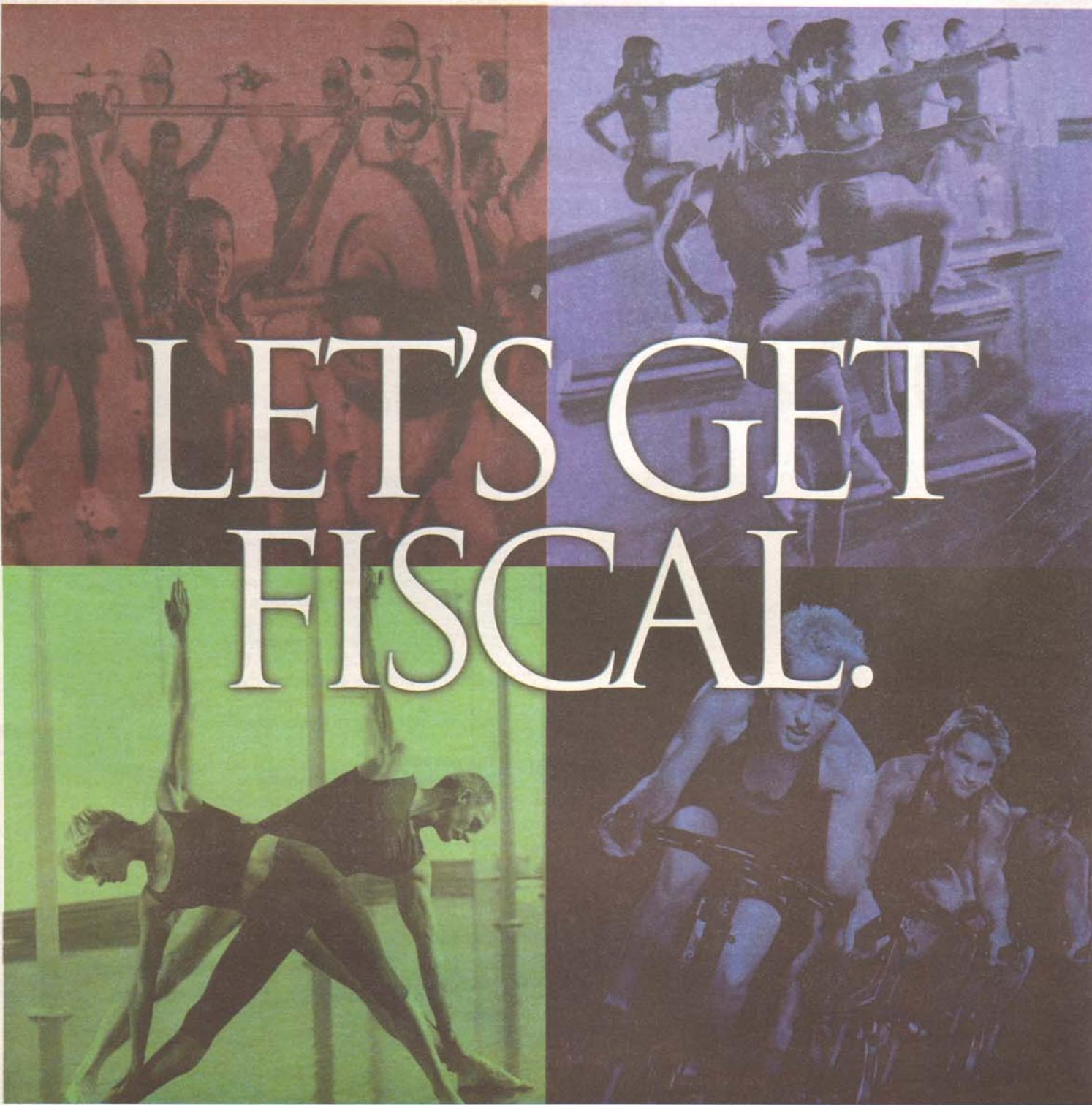
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Les Mills Body Training Systems deliver group fitness results to your club members, your instructors and your bottom line. You get fantastic pre-choreographed classes, developed by world leaders in group fitness and finely tuned in clubs all around the globe. Your instructors are expertly trained and inspired to achieve at the highest level. And our Group Fitness Management Training will add to the profitability of your group fitness department.

The fiscal equation is simple. The more members in your group fitness classes, the more money in your pocket. The great news for you? Les Mills Body Training Systems classes, BODYPUMP, BODYATTACK, BODYFLOW, BODYSTEP and RPM are filling up fast all around the world.

Flex your "money muscles". If you're a 98-pound weakling in group exercise, fiscal fitness is a phone call away. Call 1-800-729-7837 or visit us at www.bodypump.com and get fiscal for less than \$10 a day. Outside the U.S see us at www.lesmills.com.

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Information, please. 411 for Club One



“Clubs are finding that we are in the information business. It is critical that we know what our members want, and how they use the clubs, so we can develop targeted services that will increase member loyalty. RCM allows us to ‘interrogate’ the system to determine the answers. It provides the necessary tools for our clubs’ strategic planning.”

**John and Jill Kinney, CEO and COO, co-founders
Club One, California**

The challenge:

In 1992, Club One needed a multi-user club management system that could meet the requirements of their two existing facilities and still offer scalability and the technological capability to satisfy their ambitious plans for expansion. They also needed a system that would permit customization, integrate EFT services and quality support, and capture detailed member information and behavior profiles. They knew then that this information would play a critical role in ensuring membership satisfaction and retention, as well as their company’s long-term growth and success.

The answer?

RCM Solutions from CheckFree.

Today, Club One manages 65 commercial clubs and corporate fitness centers with nearly 100,000 members across California. And throughout their phenomenal growth, CheckFree’s RCM Solutions has provided the club management system, EFT services, support and professional services they require.

RCM Solutions club management systems feature:

- **Software** – Internet browser-based and Windows®-based versions, point-and-click, easy to use software
- **Hardware** – Loaded, tested, and ready to run
- **EFT** – Complete electronic billing services transfer member fees into your business account every month
- **Professional Services** – Club management and operations consulting, technology strategies, and growth development and management

For more information about CheckFree’s RCM Solutions, visit checkfree.com/healthclub or call 800-242-9522.

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