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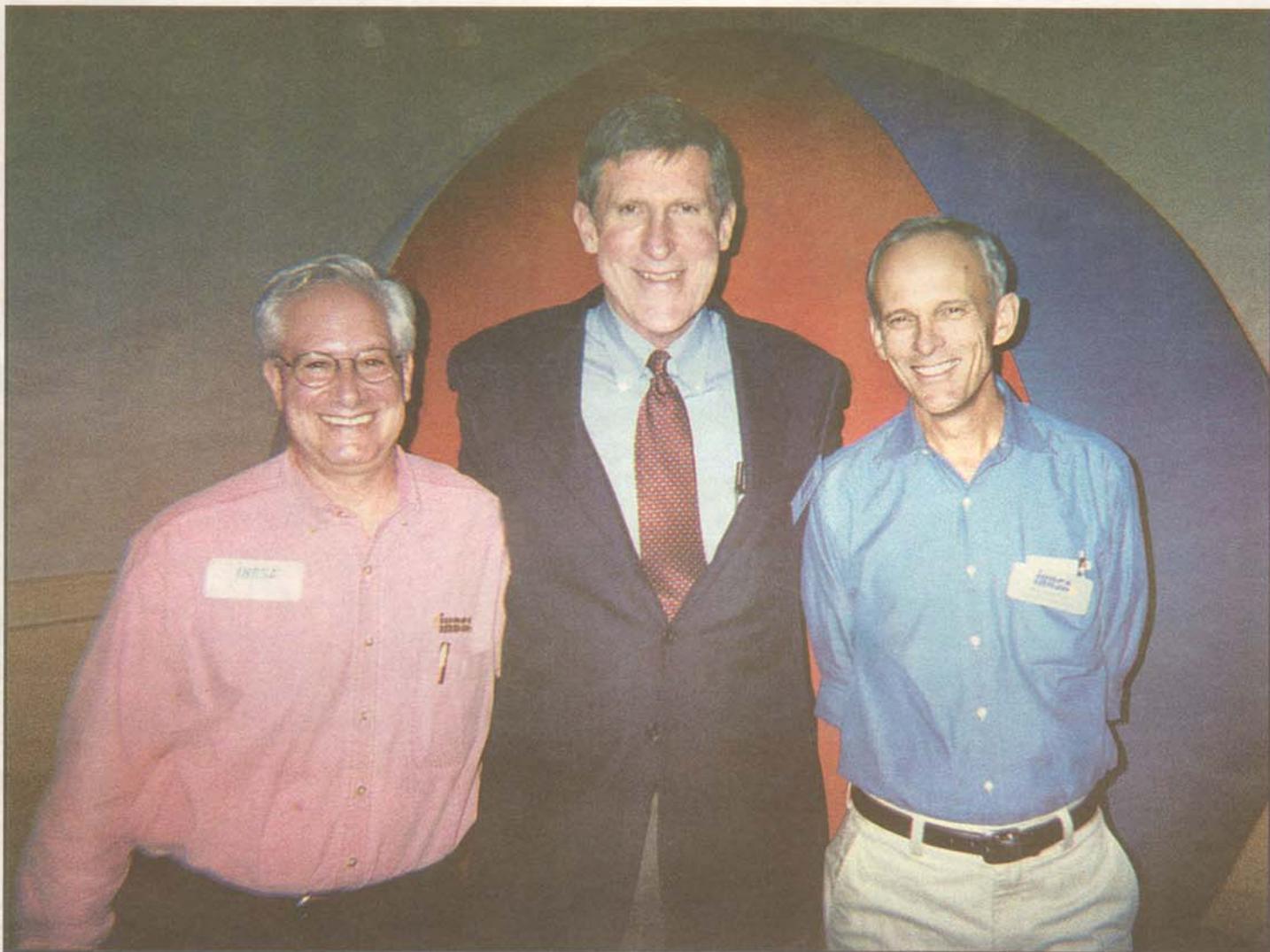
# THE Club Insider

## NEWS

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

MARCH 2003  
VOLUME 10 NUMBER 3

## IHRSA SPECIAL EDITION



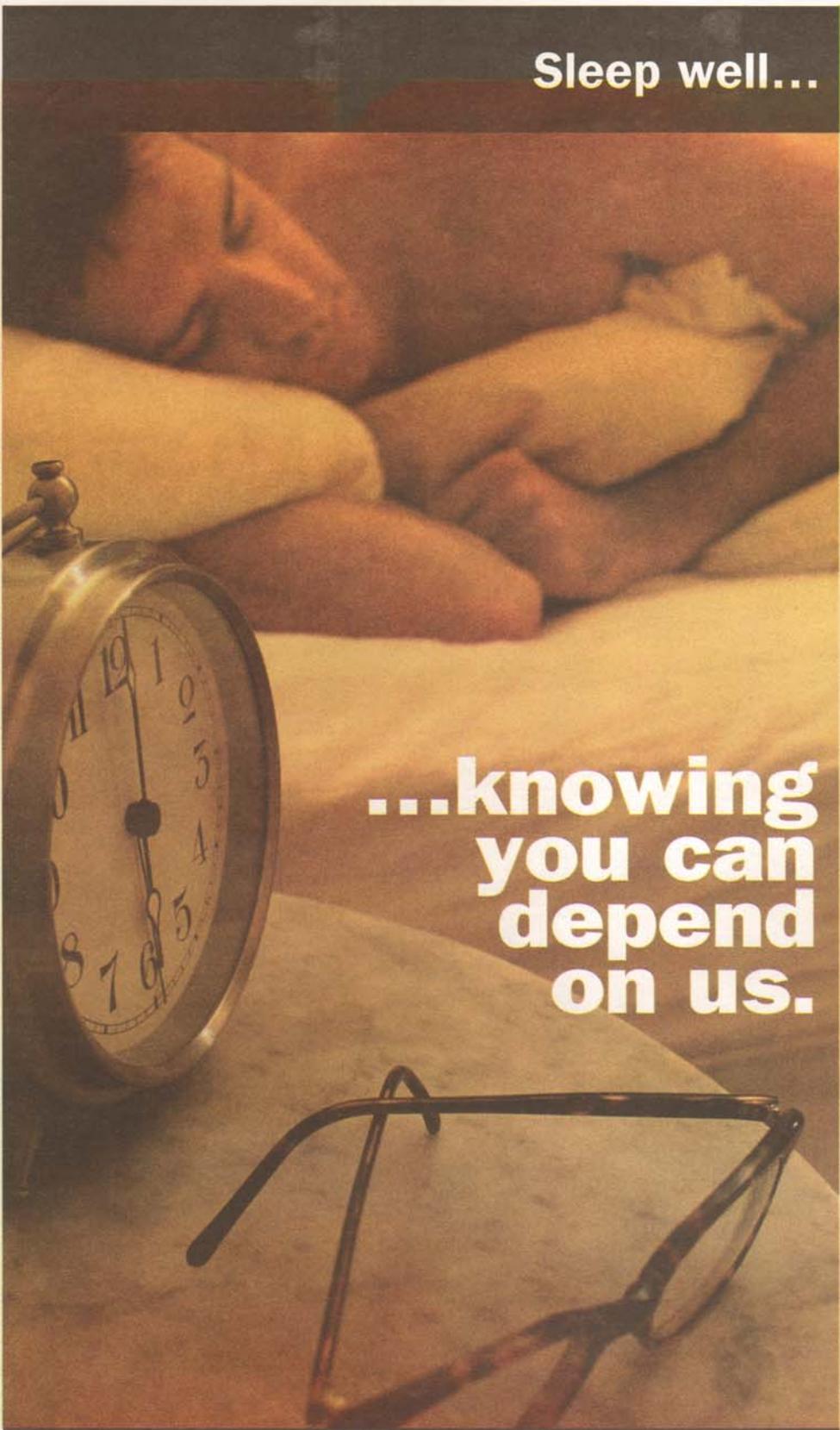
Left to right: IHRSA'S Chuck Leve, John McCarthy and Rick Devereux

# IHRSA

"The Stellar Team"

**The Times They Are Achangin'!**

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# THE Club Insider

## NEWS

### IHRSA

## "The Stellar Team"

### The Times They Are Achangin'!

By: Norm Cates, Jr.

IHRSA, The International Health, Racquet and Sportsclub Association, celebrated its 22<sup>nd</sup> Anniversary with its 22<sup>nd</sup> Annual Convention and Trade Show in San Francisco, California, February 26-March 1<sup>st</sup>.

During these 22 years the Association has been carefully guided by its Board of Directors (during this time over 60 men and women have served IHRSA as Board Members) and by the steady hand of its 22-

year Executive Director, John McCarthy.

#### IHRSA Began As A Club Association For Independent Clubs

IHRSA began as IRSA, the International Racquet Sports Association. IRSA was the brainchild of Rick Caro, now of New York City-based Management Vision. Serving on the National Tennis Association (NTA) and the National Court Club Association (NCCA) Boards at the same time, in 1980, Caro attended an

NTA Board Meeting one week and an NCCA Board Meeting the following week. By accident, Caro was referring to the Agenda for the 1<sup>st</sup> meeting while attending the second (NCCA) meeting, when he noticed that the two Association's Agendas were almost identical. This revelation helped reaffirm an idea in Caro's mind. Since both Associations seemed to be pursuing the same ends, Caro thought that by joining the two groups together a new Association could be created. Caro picked representatives from NTA and NCCA and arranged a meeting in Chicago

in 1980 where Dale Dibble and Todd Pulis, representing NTA and Jennifer Michell, Peter Donahue and yours truly, representing NCCA, met to discuss this possible marriage of minds. After 9 hours of discussions, these two committees saw the same potential Caro saw and recommended to Rick Caro that the NTA and the NCCA be brought together to become one. Three weeks later, at Caro's offices in New York City, 7 industry leaders from NTA and NCCA met and IRSA was officially founded. The new group called itself (See IHRSA Page 7)



Frank Eisenzimmer IHRSA's Dale Dibble Distinguished Service Award Winner (See Page 18)

## Wellbridge Hooks Up With Big Money

### W. P. Carey & Co. Provides \$178 Million in Financing to Starmark Holdings LLC Sale-leaseback Transaction Involves the Acquisition of 15 Wellbridge Clubs

NEW YORK, N.Y.-Investment firm W. P. Carey & Co. LLC (NYSE: WPC) announced on February 25, 2003 that it has acquired and leased back 15 state-of-the-art health club centers from Denver-based Starmark Holdings LLC, the fourth largest health club operator in the country, for approximately \$178 million. Starmark does business under the name Wellbridge. Under the terms of the sale-leaseback transaction the 15 facilities will be leased under a single 20-year triple net lease. The facilities, totaling more than 1.6 million square feet, are located in Boca Raton and Tampa, FL; Newton,

MA; Bloomington (2), Brooklyn Center, Burnsville, Eden Prairie (2), Fridley, Minnetonka and St. Louis Park, MN; and Albuquerque (3), NM.

The facilities were purchased on behalf of Corporate Property Associates 12 Inc.(CPA12), Corporate Property Associates 14 Inc. (CPA14) and Corporate Property Associates 15 Inc.(CPA15), members of the \$4.6 billion W. P. Carey Group of publicly-held, non-traded real estate investment trusts(REITs). Edward V. LaPuma, Managing Director at W. P. Carey, said, "The health club industry is a \$13 billion business and has been growing.

As one of the most successful operators in the industry, Wellbridge has created an excellent reputation of operating one of the finest groups of fitness centers and spas in the country. This sale-leaseback transaction not only frees up substantial capital, but these state-of-the-art facilities will further diversify the portfolios of our REITs." Anne R. Coolidge, an Executive Director of W. P. Carey, added, "This transaction represents our continued commitment to finding and acquiring quality properties in key markets throughout the United States. We were impressed with the Wellbridge management team and their commitment and success in running the premier athletic health clubs in the country. Wellbridge was built through the strategy of acquiring and successfully turning around athletic health clubs in lucrative regional markets", said Ed D. Williams, CEO of Wellbridge. "This deal with W.

P. Carey allows us to aggressively consider future acquisitions which will enable us to remain a leader in the industry."

Wellbridge is a leading operator of premier athletic clubs, spas and fitness/wellness centers with over 45 properties in 11 states, 5,000 employees and 200,000 members. With a strategic business model, exceptional talent and proprietary fitness, wellness and spa programs developed for upscale clientele, Wellbridge is poised for steady growth in the mid to upper market of the industry. CPA12, CPA14 and CPA15 invest in single-tenant commercial properties which are typically purchased under a long-term, triple-net lease in which the tenant is responsible for maintaining the premises, insuring the buildings and paying real estate taxes. Launched in November 2001, CPA15 currently has an ownership interest in 83 properties net

leased to 23 tenants in 24 states and France. CPA14 was founded in 1997 and currently has a diversified portfolio consisting of 152 properties net leased to 63 tenants comprised of more than 21.6 million square feet. Founded in 1993, CPA12's current diversified portfolio consists of 94 properties net leased to 43 tenants comprised of more than 7.7 million square feet. Founded in 1973, W. P. Carey & Co. specializes in corporate real estate financing through the corporate net lease, or sale-leaseback structure. The firm and its affiliates continue to be the leading lessors of net leased corporate real estate, in the United States. As the largest publicly traded limited liability company in the world, the company owns and/or manages more than 500 commercial and industrial properties throughout the United States and Europe comprised of more than 60 million square feet of space.

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- IHRSA Honors Jack LaLanne
- BTS Launches Body Defense Systems

# "The Insider Speaks"

## We Are All In This Together!

By: Norm Cates, Jr.

This editorial is about YOUR club business. This issue of The CLUB INSIDER News has been dedicated to IHRSA, The International Health, Racquet and Sportsclub Association, because it is the opinion of this author, a 29-year veteran of the club industry, that YOUR club business can benefit hugely by becoming involved in IHRSA.

I am writing to you today to: (1) express the importance of our industry becoming one strong "Team" of people across North America who share the same goals and values and (2) to convince you that you should join IHRSA as soon as possible. I urge you to make your club an IHRSA Member Club because it is through the utilization of IHRSA's many resources and services for clubs that you can move your club in a positive direction when it comes to profit and loss. In short, this editorial is about YOUR CLUB's financial future.

### Become Part of a Strong Club Industry Team!

Conceptually, it may be difficult for you to relate to the title above, "We Are All In This Together." Let me explain. I say that "We Are All In This

Together" because the health club business is all about relationships. Relationships within your community that you have built and nurtured over your club business career are a product of the trust and faith you have developed with the citizens of your community.

Relationships between clubs in the health club industry community are just as important. By networking with others, even your competitors, you will learn new things that you can use to advance your club career and your club's business performance. There is no better organization for networking than IHRSA. Today, IHRSA has hundreds and hundreds of members that have been networking and communicating with IHRSA friends for 22 years. They help each other solve problems. They provide each other with an informal "sounding board" for new ideas or important club issues. There is no way to put a value on IHRSA's # 1 benefit: *networking* within the industry.

Our industry attracts only 12% of the U.S. consumer base. Approximately 34 million people are members of health clubs, JCC's and YMCA's all across America. That is a sad fact. Sad, because that means that 88% of the U.S. population is NOT a member of any commercial health club, JCC or YMCA. But, there are two

ways to look at these statistics: 1) only 12% represents a huge failure or 2) 88%, or approximately 260 million Americans are out there.....waiting to find their way into fitness and health. I like to think that 88% of the American population "ain't seen nothin' yet!" I think our terrific industry is going to get better and better and we are *going to gain the trust and faith of the American consumer one day. But, we don't have it yet. We must earn their trust and faith.*

The honest truth is the reason that *only 12%* of the U.S. population does business with us is that a large percentage of the population does not have faith in us. They do not trust us. And, they are voting with their dollars by staying away. Many consumers really do believe that people in the health club industry are no better than used car salespeople. That is because of the reputation that modern day club operators have inherited from the earlier years in the business. We need to earn their votes by improving that reputation and the image of our health club industry. While it is *most likely* that it is not your fault that consumers don't trust our industry, your club is *still* and *will remain* a victim of that lack of consumer faith and trust until we all resolve together to do something about it.

For the first 30 or so years in our industry, our pioneers, people like Jack LaLanne, Ray Wilson and Rudy Smith, had to fight the public's view that if you exercised and worked out with weights, you were just some kind of kook. Just ask Jack LaLanne. Jack recently received IHRSA's Person of the Year Award in San Francisco at the 22<sup>nd</sup> Annual IHRSA Convention and Trade Show. When he started his first health club in 1936 he had to go door to door recruiting people to come to his place to work out. He promised parents of overweight children that he would shape them up and give them a better life. He told parents of underweight, weak children the same thing. He helped wives lose weight and shape up. And, he helped men

and women become strong and fit. And, one-by-one, Jack LaLanne got 'em all going.

After Jack LaLanne started it all, Ray Wilson and Rudy Smith and others continued to pioneer. Nobody at that time knew how bad it was to sell lifetime memberships, even the inventor of the lifetime membership. The inventor, Ray Wilson, sold thousands and thousands of lifetime memberships and says now, after over 55 years in the business, that he was wrong. These days he tells everyone that the only way to go is monthly dues memberships.

### We Still Have Bad Operators Holding Us All Back

Along the way we had health club operators who would do bad things to sell health club memberships. And, we still do. They didn't know better in those days. Everybody in this industry now knows better. But, unfortunately, some bad operators continue to hold us all back. Everyone knows that to use old high pressure sales methods is wrong: Favorite techniques used back then (and unfortunately even today) included telling a woman that her husband was going to leave her because she was fat, telling prospective members to join their club today because the competitor club, was "going out of business", using bait and switch, "Today Only Specials" advertising with amazing membership offers to entice the consumer, ultimately ending in the prospect being hammered to sign a much different membership agreement than the one advertised. Health club sales people have been known to steal the prospect's car keys and refuse to hand them over to the prospect until the person agreed to sign. A technique called the "Turnover" was routinely utilized. In many early health clubs, and unfortunately even in some clubs until this day, the sales rooms were wired with microphones so the sales manager could monitor the sales presentation and conveniently "drop-in" when he would hear a salesperson losing the "close." The sales person handling the



Norm Cates, Jr.

prospect would leave...hooking the prospect up with a heavy handed, relentless "get that gross" sales manager. Our industry reputation was damaged by health club operators that would literally rent a shopping center space, set up an office up in the front of the space and would conduct pre-sales for extended periods of time, sometimes never even starting construction. (In fact, we are investigating one of those club operators right now.) Thousands of consumers have lost money to health club operators who never opened the doors. Then there are club closings that have damaged the industry's reputation. Perhaps the biggest club closing and black-eye in the history of the health club industry in America was about 10-years ago when Ron Hemelgarn and Tom Fatjo closed their chain of 425 LivingWell Fitness Centers all on one day. Why did LivingWell collapse? Hemelgarn and Fatjo had figured that by selling lots of memberships at the rate of \$69 per year they could make their money on profits from selling products such as t-shirts and nutritional supplements to those thousands of members. Didn't work. Then, there were (and unbelievably, still are) the "membership promotional companies" that boast that they will come into your club and without any out of pocket money from you, they will generate: (a) lots of cash and (b) lots of monthly dues EFT payers. But, these people simply do mass mailings adver-

(See Insider Speaks Page 5)

Norm Cates' THE Club Insider NEWS

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## ● Norm's Notes ●

• Congratulations to **JOHN McCARTHY**, **RICK DEVEREUX** and **CHUCK LEVE** and their terrific team as they exceeded all expectations for IHRSA's 22-Annual Convention and Trade Show in San Francisco. I thought last year's event in Phoenix was the best ever, but this San Francisco gig topped them all. The event was truly terrific with a couple of key-note speakers really "lighting up the place!" **JIM COLLINS**, in his presentation "Good to Great: Why Some Companies Make the Leap and Others Don't" hit on point after point that hit home

with the crowd. And, **PAUL ZANE PILSNER** in his offering, "The Wellness Revolution" left people with a lot to think about and analyze with respect to social trends that are impacting our industry and that if properly studied and developed may be used really well to "grow" our industry and reshape it to include a thrust into the huge Wellness market. They say "practice-makes-perfect" and I think that applies to IHRSA's Convention and Trade Shows. They just get better and better. Over 7,500 people from over 70 countries around the world attended and departed

from San Francisco reenergized, renewed and ready to go back to their club businesses with more energy, vigor and many new ideas. Also, congratulations to two special people and one organization that were honored by IHRSA: **FRANK EISENZIMMER**, the Founder of the **Cascade Athletic Clubs** in Gresham, Oregon, was honored by IHRSA with its **DALE DIBBLE Distinguished Service Award**. And, the one and only, **JACK LaLANNE**, was honored as **IHRSA's Person of the Year**. As always, Jack had the crowd smiling and "whooping-it-up"

as they rose to give "The Father of Fitness" standing ovations before and after his acceptance speech. Jack opened his first gym in 1936 and he hasn't slowed up yet. He and his wonderful wife, **ELAINE LaLANNE**, have made a huge difference in the lives of millions of people across America over the years. Congratulations to TechnoGym and Nerio Alessandri President, as TechnoGym was named IHRSA's Associate Member of the Year! And, a word about the Trade Show...I can't remember a better one. The huge 250,000 square-foot trade

show floor was packed with over 350 vendors, thanks to the efforts of IHRSA's **TOM HUNT**. And, based upon the input I've heard during and since the Trade Show, the shopping and buying activity was terrific. Beyond the key-note speakers, IHRSA had a terrific educational content with speakers from all segments of the business sharing their knowledge and expertise with club operators. If you missed the convention, it is still possible to "be there" through the purchase of audio tapes of many of the presentations.

(See Norm's Notes Page 6)

### ...Insider Speaks

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tising 3 years for \$69 per year in the club's marketing area! They rake their commission off the top and when they leave (usually after a couple of months) they have tapped out

the market for that club for good, legitimate monthly dues membership prospects. Many clubs have fallen prey to these membership promotional companies. Then there are the recent events in Oregon where 24 Hour Fitness employees actually have gone onto the

parking lot of the Eisenzimmer families' Cascade Athletic Clubs and covered their member's cars with flyers advertising the 24 Hour Fitness \$19 per month memberships and someone got access to one of their clubs and placed 24 Hour Fitness guest passes in the members' lockers. So, as I said, some people are still holding the rest of us back.

#### So, What's The Point?

So, what is my point here? My point is that if you are in the health club business that relies on membership sales for survival, you have a problem. That problem, simply stated, is HOW are you going to get the people in your community to trust you and have faith in you to the point where they will make a buying decision to join your club? This is not as simple as it seems and I can assure you, not every health club owner/operator in America has the blessing of that community trust.

Let me tell you how you can build a relationship with your community. You can develop a PR Program for your club. When I say "PR", many people in our business think about advertising. This is not about advertising. But, a successfully planned and executed PR plan can and will change your life. Moreover, a successfully planned and executed PR plan will give you a \$4 to \$5 return on every advertising dollar you spend. Advertising without PR is nuts. PR without advertising will work, but to

really make a difference a combination of PR and Marketing (advertising) is the key. To help you grow your understanding and success in the PR World, beginning with this month, we are publishing a monthly column called; "The PR Moment. (See page #28) of this issue. We invite you to share your club's PR victories with us by completing and returning the brief form shown on the bottom of page #28. Each month we will share the best "PR Moments" you have submitted and from those ideas you should be able to grow your PR thrust in your community. Remember, "We Are All In This Together."

#### "We Are All In This Together"

Let me now tie all of this together for you in one nice clean concept. That is that "We Are All In This Together!" By realizing that each and every time you or any club owner/operator in your market damages the reputation of their club by violating State laws or by doing something outrageous, they also damage YOUR CLUB'S REPUTATION simply by association. The best way to fight that is to build a good, solid community relationship for your club where you do things that are totally unrelated to the club business to help others in your community. It is through that ongoing effort that you will build your member base one at a time and your club will earn a good reputation and standing in your community. By doing that, if and when one

of your competitors breaks the laws of your State or does something outrageous, you can rise above it and stand alone in your market due to your excellent community relationships. This is the key to: 1) new member referrals and 2) member retention. (3) happy dues paying members.

In closing, let me give you the IHRSA phone number 1.800.228.4772 and Website: [www.ihrsa.org](http://www.ihrsa.org). Why don't you go ahead and take the time to pick up the phone and call IHRSA for membership information. Or, you can learn an awful lot about the many benefits that IHRSA has for your club by visiting the IHRSA Website.

Together, we will all rise above the "bottom-feeders" in this industry that are holding our terrific industry back. And, one day when 20% or more of the U.S. population are members of commercial health clubs, you will have helped make it happen.

(Norm Cates, Jr. is the Publisher of The **CLUB INSIDER** News. Cates, a 29-year veteran of the health club industry, was the 1<sup>st</sup> President of IHRSA and was a Co-founder of the Association. In March 2001, Cates was honored by IHRSA with its highest award.....The **DALE DIBBLE Distinguished Service Award**. To contact Cates go by email: [clubinsidernews@mindspring.com](mailto:clubinsidernews@mindspring.com) or dial: (770) 850-8506.)

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## ...Norm's Notes

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tations. Contact Sound Images, Inc. at: 303-649-1811 to order tapes from the educational segment.

•Mark your calendar for **March 22-25th, 2004**, as IHRSA moves the "big-show" to the city that never sleeps, the amazing **Las Vegas, Nevada**. Here is a quick preview of two things that will happen in Las Vegas that you simply don't want to miss: 1) Thanks to Rick Caro, his friend, **RUDY GULIANI**, former Mayor of New York City, will be keynote speaker and 2) **The CLUB INSIDER News** will celebrate its 10<sup>th</sup> Anniversary! Look for details on our 10<sup>th</sup> Anniversary Party time and location in upcoming issues. And, go to IHRSA's newly reformatted Website: [www.ihrsa.org](http://www.ihrsa.org) for hotel booking information, etc. 22 years ago we held our 1<sup>st</sup> Annual Convention and Trade Show in Las Vegas at the Tropicana Hotel. Since then, Las Vegas has truly reinvented itself and now offers a mecca of entertainment that can't be adequately described without seeing it!

•**DON'T MISS THESE EVENTS:** while you've got your calendar out, be sure to mark: April 24-26<sup>th</sup> as **Club Industry East** will be held in New York City. For information on attending call (800) 927-5007 or if you are a vendor call **SAM POSA** at: (800) 525-9154. **HOWARD RAVIS** always puts together a terrific educational component and the New York event will feature such speakers as: **BOBBY VALENTINE**, former Manager of the N.Y.Mets, **RICK CARO**, **CASEY CONRAD** and **KAREN WOODARD-CHAVEZ** to name a few. On May 1-4, **IHRSA's 1<sup>st</sup> Annual Legislative Summit** will take place in Washington, D.C. This will be our first chance to get close to our lawmakers and **JOHN MCCARTHY**, Executive Director of IHRSA, has put together a really important event that will benefit not only IHRSA member clubs, but club owners all across North America. Plan to be in Chicago, October, 9-11, for the other 'big-industry-event' of the year, **CLUB INDUSTRY** will take place in Chicago. You can call the same 800 numbers shown above for info on the Chicago event.

•I had the pleasure of seeing hundreds of old friends in San Francisco and if you were there and our paths didn't cross, "Hello" anyway and sorry we didn't hook up. I hope to hear from you. ([clubinsidernews@mindspring.com](mailto:clubinsidernews@mindspring.com)) In addition to seeing and networking with many old friends, I met a bunch of new folks and I want to offer a welcome to our industry to **JIM MIZES**, the new Chief Operating Officer of **CLUB ONE**. **JOHN KINNEY**, the Club One President, introduced me to Jim who comes to our industry from Jamba Juice. It was great catching up with old friend, **JANET LOSSICK**, (who is now the Membership Sales Director for the **LINDA EVANS Fitness Centers** in Northern California) and many, many more old and new acquaintances.

•Special congratulations to some new friends from "Down-Under" as they "survived" their flight from Melbourne, Australia to San Francisco. Read on. The lovely **SANDI WALTON**, traveling with her boss, **MARTIN COWLING**, and 4 or 5 others from **TFG Australia**, had a harrowing experience. They departed Australia on a **Boeing 747** packed with 400 people when about two hours out, the **Captain** came on the P.A. system to inform the passengers that they had experienced a problem with their fuel system and they were forced to go back to the airport to land and have the plane fixed. During the descent for arrival, the **Captain** came back on the P.A. system to tell the passengers that: "We don't want you to be alarmed, but there will be fire trucks lined-up by the runway when we land because we will be super heavy due to our fuel on board, thus making our approach about 25-30 knots faster than normal. We will be using up all of the runway." Naturally, that didn't sit too well with this captive crowd from "Down Under!" Upon landing, the **Captain** parked the plane and the workers were preparing to fix the problem when along comes a guy driving one of the airplane towing trucks and crashes it right into one of the 747's engines! The bad news was that the entire crew of **TFG** people had to spend the night at a local hotel. The good news is that they put everyone on a brand new 747 for the trip the

next day. But, this story just emphasizes the importance of the Annual IHRSA Convention and Trade Show in that people travel from all over the club world to be there.

• In this issue I've written a lot about "Team-work" and its importance. Speaking of funny stories, here is one on me. At the IHRSA Convention on Saturday, immediately after the Keynote address by **PAT CROCE** as I exited the Hall where **Croce** spoke, I saw the UP escalator's covered with people and with several hundred, if not a thousand people, backed up into the assembly area. I was late and in a hurry to get to a very important meeting with the **IHRSA Advisory Council**. So, I got a wild hair up my butt that made me decide to **RUN UP THE DOWN ESCALATOR** to avoid the crowd! And, I must tell you.....I now know how those people that tried **Free Motion's Nordic Track Incline Treadmill** that goes to a 50 degree angle must feel when they get to the end of their endurance times of around 27-30 seconds. I was carrying my rolling "office on wheels" in one hand and as I scurried up the Down escalator I got to within maybe 3 or 4 steps from the top of the DOWN escalator when I started to run out of gas! At that point, I tripped on one of the steps and then the s... began to hit the fan as I struggled to make those last 2 or 3 steps! But what happened next is important to my entire message in this edition. First, I am **NOT A QUITTER** and I was **NOT GOING TO QUIT** this effort to make it to the top in front of those 1,000 or so people! But, that is a hell of a lot easier said than done! Had it not been for some of the kind folks that were getting off the top of the UP escalator at the very moment in time that I was trying to make the last two steps, I might have never made it. But, once again, **TEAM-WORK** happened! Several men reached out their hands to my one free hand and literally pulled my big ass onto the top of the **DOWN ESCALATOR**. I'd give anything to have been one of the 1,000 or so witnesses to this ill conceived escapade of mine. But, I guess I will just have to "cherish" the memory from my eyes only and as the years go by, enjoy your perspective of this hilarious scene if you witnessed it and if and when you might share it

with me. Thanks guys. I appreciate the "lift", so to speak. Needless to say, I won't try that again!

• Speaking of the **IHRSA Advisory Council Meeting** held that Saturday, let me say this. While the attendance was not what it should have been due to the fact that it had not been publicized to its members in advance, and some had not noticed it in the Program Directory, the result was important. The most important part of the meeting was that **MARK EISENZIMMER**, the President of the **Cascade Athletic Clubs** in Gresham, Oregon, was able to air out the feelings of his organization about the activities of **24 Hour Fitness** in his community. (Check out our cover story in this issue). And, new **IHRSA President, TOM BEHAN**, agreed that the Board of Directors would look into (a) Eisenzimmer's grievances and (b) would make it a priority for the Board of Directors to re-evaluate **IHRSA's Member Standards and Code of Conduct** and lackluster enforcement of said Standards. I can only say this about those Standards and lack of enforcement and that is if IHRSA will revisit its Standards and Code of Ethics and strengthen them and modify them to stand for what IHRSA was all about in the beginning, **HONESTY, FAIR DEALING and ETHICAL OPERATIONS** and then begin to enforce those standards, the industry at-large will be changed for the better forever. In such a rework, not one bit of attention should be paid to any fear of losing the big chains from IHRSA membership because that should not be a problem if we stay true to the original Founder's objectives. In other words, what I am saying is this. Rewrite the Standards and Code of Conduct to mean something in terms of a **REQUIREMENT** for IHRSA member clubs to deal **honestly, fairly and ethically** with an emphasis on not offending the consuming public and then **ENFORCE THOSE STANDARDS**. And, if any organization violates those Standards and Code of Conduct, **kick-'em out of IHRSA** and make it **PUBLIC** that they have been kicked out due to violations of **IHRSA'S Standards and Code of Conduct**. I don't care if they are a huge chain or one independent, rogue club...

**KICK 'EM OUT!** So, stay tuned for more on this all important industry issue. To be honest, fair and ethical or not, that IS the question.

• Another highlight in San Francisco was the fact that **IHRSA** held a **Public Relations Forum**, moderated by **IHRSA's BILL HOWLAND**. That was the good news. The bad news is that only 13 people attended this very important first time session. It was great to see that **IHRSA** had developed a tool., a "How-To" case study called: "Shine A Light" - Using PR to Fight Tax-exempt Competition I am going to make it a personal project to see this Public Relations Forum have huge attendance at next year's Las (See Norm's Notes Page 26)

### The Club Insider News Contributing Author Team

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

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### ...IHRSA

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IRSA and immediately distinguished itself when it named this writer as its 1<sup>st</sup> President. (Just kidding. Actually, Rick Caro should have been the first President of IHRSA, but he thought the NCCA contingent might be more fragile in following this new leadership). At the time, I owned one club in Atlanta and had a second under construction. As the last President of the NCCA, I had written a letter to all NCCA members indicating to them that my goal by the end of my term as President was to double the number of clubs in the Association. Little did I know when I wrote that that my goal would be reached in such a manner with the new partnership of tennis and racquetball club owners called IRSA, The International Racquet Sports Association.

### ***IHRSA's Stellar Team Has Been The Difference***

During the past 22

years, IHRSA has led the way and has become the most prominent and most prolific club industry Association in history. John McCarthy has assembled a terrific team of great people, including Rick Devereux, Director of Operations and Chuck Leve, IHRSA Promotions Director and others including: Anita Lawlor, Pam O'Donnell, John Kersh, Bill Dussor, Cathy Masterson McNeil, Jay Ablondi and Tom Hunt, to name a few members of this great IHRSA Team.

IHRSA has produced an enormous line-up of success stories. Year One of the Association saw a fledgling group convened in Las Vegas, Nevada for its 1<sup>st</sup> Annual Convention and Trade Show. In those early days the Association members concerned themselves with the early days of transition from racquet clubs to health or multi-purpose clubs. A primary topic of discussion early on was the conversion of racquetball and tennis courts to higher income producing uses and industry legend and pioneer, Ray Wilson, spoke on that subject at the first IRSA Meeting in Las

Vegas. At the time, Wilson was in the early years of his California Family Fitness chain based in the San Diego area. He later sold the chain of 72 locations to 24 Hour Fitness for \$95 million.

Over the past 22 years, the line-up of educational products that IHRSA has produced has been amazing. Early development and publication of a little IHRSA guidebook entitled: "The Benefits of Regular Exercise" provided information that was helpful in the early days of cracking the corporate membership marketplace. IHRSA followed that publication with another: "The Economic Benefits of Regular Exercise", which became a guidebook for corporate decision makers contemplating the idea of involving their employees in health, fitness and wellness programs. Since that time, IHRSA has published and produced countless volumes of educational materials, tapes and other training materials and offers its member clubs the best single source of industry education and information.

In short, IHRSA has impacted the health, racquet and sportsclub industry more than any Association or group in the history of this young industry.

### ***EXERCERA Threatened the Association***

In this introduction you may have noticed two spellings of the Association name: IRSA and IHRSA. Let me explain. In 1993, the IRSA Board of Directors, initiated a name change of the Association. However, this group of IRSA Directors stepped a little too fast for the Association members. Without consulting the IRSA Membership for any input, the Board of Directors: (a) hired a consultant for \$15,000 to first research its image, create a new "corporate identity", prepare a positioning statement and then to come up with a new name for the Association. (b) chose the new name recommended by the consultant, the Latin word "Exercera" as the new Association name. "Exercera" is Latin for: "To

Exercise." and (c) without ever hearing any IRSA member's input or feelings, except for their own, the Board voted 9-0 to rename the Association "Exercera."

Many IRSA members did not like the name "Exercera". They did not like it so much that they inundated The CLUB INSIDER News with faxes and voice messages in protest. Ironically, in the very first edition of The CLUB INSIDER News this author wrote a ½-page article about Exercera stating that "if the IRSA Members liked the name "Exercera", then so be it...it would stand. In that initial editorial offering, we did not write in favor of or against the name "Exercera". We simply stated that it should be up to the IRSA members. And, ultimately, it was.

The problem became that since the IRSA Member Clubs had not been consulted or informed in any way by the IRSA Board about this new name before it had voted 9-0 to change the name to "Exercera", the IRSA member clubs really  
 (See *IHRSA* Page 10)

# FINANCIAL STATE OF THE CLUB INDUSTRY

By: Rick Caro

At the most recent IHRSA Convention, the 7<sup>th</sup> Annual Financial Panel was presented. I served as the moderator and then invited experts from the financial community who have a deep understanding of the club industry. Generally, there are representatives from the private equity side, the major debt institutions and then the financial analysts' perspective. In some years, there have been experts from the United Kingdom to describe its status.

Typically, the comments are targeted toward the largest club companies. However, even smaller groups of clubs find this industry story useful. In some cases, it reinforces why they enjoy flexibility and ease of growing by 1-2 new clubs a year using local asset-based financing. Or, it may give them a fresh slant on how a larger chain has to comply with the changing pressures faced by

their private equity company investment fund or by the rating agencies on their high yield debt.

## TOP FINANCIAL HEADLINES

I provided 17 different generalizations about the past 2002 year and the outlook for 2003:

1. U.S. Economy ↑ Slightly, But Unemployment ↑
2. Recession Resilient, With Better Same Store Sales, Net Memberships ↑ and Non-Dues Revenue ↑
3. EBITDA Margins Holding
4. More Attractive New Leases
5. U.S. Debt Markets ↓
6. No Exiting & No IPOs
7. No New Equity Players Entered Industry
8. U.S. Public Companies Confusing & Unimpressive
9. No Consolidation
10. UK No Longer The Great Public Market Panacea
11. Trend For Public Companies → Private

12. More Manufacturers Engaging In Transactions
13. Fewer Hospital-Based New Wellness Centers
14. Still YMCA/Non-Profit Fair Competition Issues
15. Diet Centers Still Not Working Alone Without An Exercise Component
16. No Major Positive Change In Government Influence, HMOs Or Corporate Greed Factor Or Insurance Industry
17. 2003 Could Resemble 2002.

Each of these items was described in more depth.

## THE PRIVATE EQUITY PERSPECTIVE

Jason Fish, former Managing Partner of Farallon Capital Management and now President of Capital Source, reminded all that the fundamentals (quality of the business, quality of management, execution and strategy) are increasingly important. Financing is more difficult to obtain, but not impossible. Mr. Fish highlighted that the health club industry has strong demographics, with good revenue growth, an overall increase in health and fitness awareness and a continually broadening of fitness offerings to appeal to a larger audience (i.e., yoga, spinning, personal training). It is still a highly fragmented industry with very few large players. It benefits from a recurring revenue stream and has high operating margins.

Mr. Fish also characterized the business as a capital-intensive business, an execution-oriented business, one of location/location/location, an economically-sensitive business, a high churn-rate business and one with no significant barriers to entry. For success, the club company needed a high quality of management (with a workable business plan, a maintenance of high margins, an understanding of one's market position and membership base and an ability to find appropriate locations), an appropriate capital structure and an ability to scale the business. He discussed the need for appropriate ROIs from new clubs, a reasonable purchase price for acquisitions, and targeted levels for cash flows and EBITDA margins. He also mentioned other key metrics (marketing ratio, capital expan-

ding spending, same store revenue growth, ancillary revenue levels, capacity per club) as well as an exit strategy. His conclusion was that equity investing today requires patience and flexibility.

## THE DEBT STORY

John Maxwell, Managing Director of High Yield Research for BNP Paribas (a major lender to the club industry), described the criteria of why one would lend to the club industry, the two key types of debt for large club companies (senior debt and subordinated debt) and the underlying basis for the loan (cash flow vs. asset-based lending). Mr. Maxwell differentiated between two types of subordinated debt: private placement (under \$150 million) vs. "public" bonds (over \$150 million meeting SEC guidelines). Private mezzanine funds, banks and insurance companies are the source of private placements (generally priced at 12-13% interest plus an equity kicker to reach a 19-22% internal rate of return—IRR). Mutual funds would be the likely source of "public" bonds (priced in the 9-11% range).

The type of debt financing would depend on the level of EBITDA a company generates (usually based on the last 12 months or current "run" rate). Mr. Maxwell provided specifics depending on whether a club company's EBITDA was over \$40 million, between \$7 and \$40 million or under \$7 million.

## THE PUBLIC EQUITY & DEBT STORY

Andrew Zarnett, Managing Director of Deutsche Bank Securities, showed Town Sports International's bond performance over the last two years (+25.5%) compared to that of Bally Total Fitness' of +13.5%. He then compared that to Bally's equity performance (-79.5%) over that same period. He cited the larger club companies' revenue growth over the recent recessionary period and compared it to other industries like lodging which had decreased sales during the same period. He reviewed the key assessment factors that investors look at, including



Rick Caro

management, revenue composition, market position, ability to replicate a profitable store model, "age" of the club base and the growth strategy.

Mr. Zarnett discussed the current financial climate, where there are increasing default rates and a deteriorating economy. He mentioned that many debt deals are not getting done, with preferences for non-cyclical industries (e.g., health care, consumer goods, utilities). He highlighted the bias to lend to existing borrowers over new ones. He also cited the bank consolidation movement leading to fewer lenders. And he reminded all of the difficulty private equity firms have in exiting this industry.

Mr. Zarnett contrasted the lenders' key considerations prior to and post-economic downturn. The conclusion was that all the lenders are focusing now on free cash flow and free cash flow! The implications highlighted were that this will lead to slower growth in the industry, reduced levels of capital expenditures, a higher and faster payback period for new investments and the "maturing effect" of new club builds. He reminded the audience of the need to differentiate GAAP EBITDA (generally accepted accounting principles) vs. Cash EBITDA.

A question-and-answer period followed.

*(Rick Caro is President of Management Vision, Inc., a consulting company to clubs and an expert in club finances, valuations, feasibility studies, operational analyses, member surveys and assistance in club sales/purchases. He was a Co-Founder of IHRSA. Management Vision, Inc. can be reached at (800) 778-4411.)*

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## ...IHRSA

continued from page 7

felt betrayed....disenfranchised.

The *CLUB INSIDER* News, beginning with the next and second edition we ever published, began to do what we had promised our readers in our very first edition that we would do. We had promised to "Tell-It-Like-It-Is" on important industry issues. It was ironic that our promise was tested right away with the timing of the name change to "Exercera." We kept our promise and we printed the protests and comments of irate IRSA members from across the country. The opposition to the new name, Exercera, was huge and we kept printing the expressions of the members until the Board of Directors agreed to hold off on the official name change until an IHRSA Member "Open

Forum" could be held in Reno, Nevada at the 1994 IRSA Convention and Trade Show. This meeting was a pivotal time for the Association. It was pivotal because there was a distinct possibility that had the Board ignored the "Exercera" opposition's protests, a significant group of IRSA clubs would have splintered off and started their own new club Association. Fortunately, the Board was prudent and acted quickly. The Board knew full well that they had acted without the knowledge of or the support of the IRSA members on this decision. At the Open Forum in Reno, 32 speakers rose to express their feelings about the name change. 31 of those speakers spoke out in strong opposition to "Exercera" and one person rose to speak in favor of making it permanent. Upon hearing this strong IRSA

membership opposition at the Reno Open Forum, the Board in June, 1994, rescinded the name change and dropped the "Exercera" name change in its entirety. It is not clear which one of the Board members at the time (I recall both Cecil Spearman and Frank Napolitano having the idea) came up with the notion of simply placing the word "Health" in the name IRSA to create the new name and the name that stands until this day, International Health, Racquet and Sportsclub Association, or IHRSA as the Association is commonly known. It is pronounced the same way as before with the "H" silent.

### Now IHRSA Is No Longer The Same

Time has passed. The industry has changed. And, as the industry has changed, so has IHRSA. That change in IHRSA began to take clear form when the IHRSA Board of Directors voted to drop the IHRSA tagline, "The Association of Quality Clubs" and to establish a new Mission Statement. It was at that time that IHRSA implemented its first set of standards for clubs to comply with. (e.g. CPR qualified staff on site at all times, emergency procedures, consumer behavior conforming with State laws, etc.) The new Mission Statement was intended to reflect the new direction of the Association. That direction was to move away from being an Association that focused on the needs and desires of its supporting member clubs and vendors to an Association whose focus was and is on promoting generic growth of the fitness industry. Simply, it went from a trade Association to an industry Association. That new Mission Statement: "To Grow, Promote and Protect the health club industry" expressed the new direction chosen by the IHRSA Board. But, once again, the IHRSA Board of Directors had moved without significant consultation with the club owners about this new direction. The new "industry-focused" IHRSA began to expand its constituency to fit this much more broad Mission Statement. It became the view of the Board of Directors, assisted by input in 1999 from yours truly and other IHRSA Advisory Council Members, that the time was right to admit

Bally Total Fitness into the Association. 24 Hour Fitness, the other giant in the IHRSA club chain line-up, had long been IHRSA members. And, at the time, Lee Hillman had taken giant steps with the reorganization and upgrading of what Bally Total Fitness was about. That move to admit Bally, along with the already present 24 Hour Fitness and now numerous other large chains (LA Fitness, TSI, Lifetime Fitness), into IHRSA membership, created what appears today to this author to be the dilemma IHRSA now faces. The dilemma is this. IHRSA's grass roots movement consisted of independent club operators, the vast majority of whom had admirable ethical standards and a commitment to quality and excellence in their operations. In short, these independents were the driving force of our industry, not the chains. And, in the view of this writer, it is these independents that still are the driving force in our industry and in IHRSA. But, if you look at what is going on with IHRSA carefully, you would get the picture that there is a growing feeling amongst independent club owners, justified or not, that IHRSA's focus is now more directed to the chains. I have talked person to person with many independent club operators over the past year, and they again are feeling disenfranchised. They are not happy campers. And, they must be heard. And hear from them you will. Read on.

### IHRSA Now Threatened Again

IHRSA now faces some challenges. In the past year, the following things of note have happened;

1. Mike Arteaga, 30+ year industry independent club owner/veteran and IHRSA member since Day One, resigned from the IHRSA Board of Directors in protest to what he was seeing going on. In short, Arteaga was infuriated by the "forced installation" of an IHRSA Board Member who really, when you get right down to it, had no business serving on the IHRSA Board. Arteaga's view was that this installation was nothing more and nothing less than an effort by some to have representation from one of the major chains installed on the Board. Never mind that the

individual, David Giampaolo, a terrific fellow, did not live in the U.S. and did not have ownership or even participation in day-to-day club business matters with his affiliated IHRSA-member organization, 24 Hour Fitness. In one word... the reason IHRSA lost the strong willed Mike Arteaga from one more year of IHRSA Board service was "politics." There was a proper IHRSA Board Committee system in place, and it was ignored. He became fed up and said "To hell with it!"

2. Mark Eisenzimmer, co-owner of the Cascade Athletic Clubs, and former IHRSA Board Member, has resigned from IHRSA in protest to IHRSA's lack of standards and enforcement of standards. Mark has a good point. In the 22-year history of IHRSA, only *once* was an IHRSA club organization suspended from membership due to Code of Conduct and Standards violations. Mark and Debbie Eisenzimmer and their family-owned business had felt estranged because their protests in recent years to IHRSA over the behavior of 24 Hour Fitness operatives in their Portland, Oregon area market had been totally ignored. At an Advisory Council Meeting held in San Francisco, March 1<sup>st</sup>, 2003, Eisenzimmer explained that, "24 Hour Fitness, beyond its predatory pricing strategies, has behaved in an unconscionable manner in our market and we no longer intend to be supporting IHRSA members, because this 24 Hour Fitness employee behavior will not be dealt with by IHRSA. In particular, Eisenzimmer complains that 24 Hour Fitness employees have come onto their Cascade Athletic Club parking lots and covered the members' cars with 24 Hour Fitness \$19 membership promotional flyers. Moreover, clandestine 24 Hour Fitness people have actually gained admission into Eisenzimmer's clubs and placed guest passes to 24 Hour Fitness in the Cascade Athletic Clubs' lockers. In short, the Eisenzimmer family became disenfranchised and disgusted by the lack of any response by IHRSA to their pleas for help and sanctions against 24 Hour Fitness. They felt that since the Association known as IHRSA had no real standards that were enforced, they could no longer support the Association. At the

(See IHRSA Page 12)



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## ...IHRSA

continued from page 10

Advisory Council Meeting in San Francisco, new IHRSA President, Tom Behan, promised the group and the Eisenzimmers in particular, that the IHRSA Standards would be reviewed for possible revision and that IHRSA Code of Ethics and Standards enforcement process and procedures would be evaluated for possible revision as well. That process is in motion.

3. **Mike Chaet**, the owner of CMS, Club Marketing and Management Systems, announced at IHRSA San Francisco, the formation of a new Association for Independent Clubs. Chaet is calling the new trade Association, the Independent Club Operators Association (ICOA). In the "Official Publication of the ICOA", "Survive & Thrive" Chaet states the "Goal" of ICOA - "To help the independent club operator compete with chains and other competitors world-wide." In a move that on the surface flies in the face of IHRSA and IHRSA's role big-time, Chaet, on the second page of the Official Publication, published "INDUSTRY INPUT" Fitness News From John McCarthy's IHRSA Report. At the bottom of the notes appears the IHRSA logo, giving the appearance of IHRSA's support for the new Independent Club Operators Association. (ICOA). The question remains: does IHRSA support Chaet's new trade Association? While I have respect for Mike Chaet and his CMS enterprises, one would have to ask the following question: "How is Mike Chaet going to separate his CMS Consulting business and Club College from the organization and operation of a new independent club owners association? My answer is he won't. This is clearly not a 501 (c) (6) non-profit trade association like IHRSA's legal basis. Mike Chaet, and we all know this veteran, is into making money and there ain't no way in hell that this is not Mike's #1 reason for starting this ICOA in competition with IHRSA. But, this a big sea out there we're all swimming in it together...there is room for everybody, right? STAY TUNED!

4. **Thomas Plummer**, of the company now known as TPC

Education Group, showed his dismay about the lack of attention to independent club owners known when, the day before the IHRSA San Fran Convention, he released an electronic newsletter in which he indirectly bashed IHRSA again and again. In short, Plummer is saying the same thing that Mike Arteaga, Mark Eisenzimmer and Mike Chaet are saying and I will paraphrase here: IHRSA has begun to ignore the needs and the interests of the independent club owner membership group. And, they (not including Arteaga and Eisenzimmer) are stepping up with new focus and vigor to serve the independents.

While Chaet and Plummer are popular, active and prolific industry consultants whose focus is on the independent club owners of North America, Arteaga and Eisenzimmer are not. And, in the view of this writer, "Where there is smoke, there is fire." This is just the beginning.

### Why IHRSA Is Now Threatened

IHRSA, "The Team", is now threatened. But, the Association has "thrived and survived" for 22 years now for good reason. The reason is that when the chips are down, the independent club owners of America have always been there for IHRSA. And, while a daunting challenge to IHRSA, now exists, I believe that everybody in our industry that has supported IHRSA and its many terrific efforts on behalf of the industry in general must never forget that change is not always perfect. They should remember that IHRSA-The Team, has assembled the greatest organization in world history to help all commercial health, racquet and sportsclub owners and operators. The independents remain what they have always been...the foundation of this industry...the grass roots people all across the land that are there in their clubs doing business as "The IHRSA Quality Clubs of America." Sure, these terrific, tough-minded and dedicated independent club owners of America are not all happy campers right now. But, that too, will pass. What will not pass is what IHRSA clubs stood for in the beginning and what it stands for today. That is honesty, fair-dealing and straight forward

service to their communities. What it does not stand for and never will, is what I call a "continuation of the Spa Wars mentality operators." On numerous occasions, this author has described the behavior of the Spa Wars mentality operators as being wrong, behavior that must be put behind us if our industry is to gain the trust, faith and confidence of the American consumer. We just can't tolerate behavior such as that observed in Oregon by the Eisenzimmers and the FitLife Club Group, formerly known as NACA, the Northwest Athletic Club Association. The "Spa Wars" mentality continues to include; "Bait and switch" advertising featuring scantily clad, attractive women in their ads, high-pressure, slam-dunk sales methods intended on closing membership sales based upon emotion at the moment, not a clear, well understood decision based upon the customers' needs and desires, behaviors such as flyers in parking lots of competition, telling members that you should join "our club" because "their club" is going out of business and the list goes on and on. In short, the "Spa Wars" mentality club operators are the "bottom-feeders" of our industry and they always will be. In fact, one of IHRSA's other largest chain members, LA Fitness, has shown by its behavior in markets across America that they fall into a "rogue" chain category. For example, in Atlanta, 3 years ago this summer, LA Fitness acquired Tony deLeede's 22-club chain called Australian Body Works. Since that acquisition happened, this author has spoken with a large number of former LA Fitness employees, members and many prospective members that have left LA Fitness as employees and members and potential members because to quote one of my friends, "They are nothing but a high-pressure sales company that could give a damn about its members." End quote. These are not club people telling me this in Atlanta. They are consumers. Former members and prospective members, pissed-off, alienated and disgusted with what they see LA Fitness doing here.

But, let me make this abundantly clear. "Spa Wars" mentality operators are not limited to just major chains. In fact, one Midwest Gold's Gym operator of a bunch of Gold's

Gyms is making enemies in the health club business as fast as he can sign new deals. In fact, his pre-sales operation has even been on local consumer protection TV shows in those markets. We are conducting, as this is written, an investigation of the pre-sales that have lasted for a year and a half and post-opening behaviors of that particular operator. And, you will hear more about LA Fitness and that Gold's Gym operator in future reports. STAY TUNED.

### Let Me "Tell-It-Like-It-Is"

The health club industry is still in its infancy. I don't care what Thomas Plummer has to say about that. This industry is only 60 years old and for the last 22 years we have been blessed by having an Association for the first time in history that has fought for its members in as many ways as the John McCarthy led IHRSA has done. Our industry right now sits on the greatest single opportunity in history. That opportunity is to reach out to the 170,000 million overweight Americans that are in dire need of our help. And, while doing that, we must all realize that "big-picture-guy" John McCarthy, the highly esteemed, 22-year Executive Director of IHRSA, has been focused on that objective years before the Surgeon General sounded the alarm on obesity. John has been (and is) hugely involved in the success of this entire industry for all these years. Without John McCarthy, the club world would be much less advanced than it is today in many areas. Industry education and advancement of professionalism and the non-profit battles against the YMCA and Parks and Recreation Departments would not be succeeding. And, the Industry Leadership Council and now, the newly founded IHRSA Independent Club Council might not be in place.

### Let's Not Forget IHRSA's Associate Member "Little-Guys!"

And, I cannot at this juncture, fail to speak out on the behalf of many IHRSA Associate Members. The Associate Membership of

IHRSA represents over one half of the Association's annual operating budget. IHRSA's Associates represent the brightest and the best manufacturers, vendors and product suppliers from around the world. Yet, even following on the heels of a terrific San Francisco Trade Show which has the industry raving with excitement, there is trouble in this part of paradise as well. That trouble is rooted in IHRSA's "preferred Associate Member" approach. The fact is that the largest financial contributors get most of the goodies and probably they should. But, it is important for Chuck Leve, the Director for Promotions for IHRSA, to realize that IHRSA's vendor success for all of these years has been because of the balance between the "big-guys" and the smaller vendors with respect to event marketing and promotion, which includes IHRSA PR thrusts. IHRSA cannot afford to forget the "small guys" vendors in our business because these industry suppliers are just like the independent club owners who started IHRSA in the first place. Many of them have been with IHRSA from the "get-go" and have exhibited faithfully at IHRSA Conventions and Trade Shows for 22 years running. Take Sales Makers and Affiliated Acceptance Corporation for example, both of whom have been with IHRSA since the very beginning. And, they will be with IHRSA in the future as well, but IHRSA should get my point here. Don't forget the "small guys." They helped get IHRSA to the world-class status it now holds and they can help keep it there. And, they should not be forgotten.

### In Their Own Words.....

To further document the aforementioned issues I've written about here, commentary from IHRSA members from all segments of the industry appear on page 14 and 16. I think that the IHRSA Board of Directors and John McCarthy should read and heed these comments carefully and the voices of those that disagree with IHRSA's direction should be heard and action on these member's concerns should be

(See IHRSA Page 14)

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## ...IHRSA

continued from page 12

taken as soon as possible for it has been that level of communication, empathy and cooperation that has gotten IHRSA this far. And, it should be a continuation of that level of communication, empathy and cooperation that carries IHRSA for the next 20 years. And beyond.

### A New TEAM IHRSA

From this communication, empathy and cooperation, can come a new TEAM IHRSA. An IHRSA that is once again totally in tune with and responsive to the people that got IHRSA here in the first place. The Independent Club Owners of America and the small sized IHRSA Associate Member group.

To create the "New IHRSA", I propose the

following. I propose that IHRSA's Board of Directors immediately and aggressively reevaluate the IHRSA Standards and Code of Conduct and immediately revise those very weak Standards to new standards for membership that will make membership in IHRSA something that its member clubs are proud of again. Membership that means more than money, more than a Convention, a Trade Show and a Magazine. Those Standards should include requirements for ethical club operations, ethical and respectable advertisement placements and honest and fair dealing with both the public and the competition. In other words, if you want to be known as one of the IHRSA Quality Clubs of America and identify your club(s) proudly as IHRSA member club, you must operate in compliance with the proposed new IHRSA

Standards and you must fight fair. Sure competition is tough. It always has been and it always will be. But fight fair. Beyond throwing out the old IHRSA Standards and Code of Conduct and writing and instituting new ones, IHRSA should immediately begin a *new enforcement* of those standards and begin to one-by-one, eliminate from IHRSA Membership, any and all violators of said standards. Anything short of this right now will end in the premature demise of an organization many of us love, support and care a great deal about, IHRSA.

### My Pledge To Do My Part

I am not going to wait for the IHRSA Board of Directors to act on their Standards and enforcement procedures. I am going to take action now. I hereby pledge to do my part.

Beginning with our next issue I will make available a full page and more, as necessary, to publish and expose the "bottom-feeders" out there that are: (a) screwing the public, (b) competing in unfair and unacceptable ways and are at least acting unethically, if not illegally per State laws, (c) in general lowering the reputation and standards of our industry in the eye of the public... the eyes of the American Consumer who holds all of our destinies.

I urge you now to email, fax, mail, send by pony express or courier any and all newspaper articles, reports and other material telling about unethical, illegal, low-rent, down and dirty dealings in our industry. I don't care if the bad guys are large club chain or a single rogue independent operator. I want to hear about and report about them all. I am sick and tired of hearing about how one club

or a chain of clubs are hurting our industry in the eyes of the consumers by operating their health clubs in a deplorable, dishonest and unethical manner. And, with your reporting help, we will make a difference. We will "Tell-It-Like-It-Is!"

*(Norm Cates, Jr. is the 9+ year Publisher of The CLUB INSIDER News. Cates is a 29-year veteran of the health, racquet and sportsclub business. He was the 1<sup>st</sup> IHRSA President and a Co-founder of the Association in 1981. In March, 2001, Cates was honored by IHRSA with its DALE DIBBLE Distinguished Service Award, IHRSA's highest honor. Cates may be reached at: clubinsidernews@mindspring.com; (770) 850-8506; Fax#: (770) 933-9698 or U.S. Mail: The CLUB INSIDER News, P.O. Box 681241, Marietta, GA. 30068-0021.)*

# IHRSA Member Comments

## "In Their Own Words"

In the weeks immediately following the IHRSA San Francisco Convention and Trade Show we asked a number of IHRSA Members four questions and those questions appear below and under each participant's name the questions are identified numerically to save space and time. Those questions were:

1. Share the three most significant aspects of the 2003 IHRSA San Francisco Convention and Trade Show.

2. Do you have any feelings you would like to share about the "politics" of IHRSA?

3. As the Association moves forward into the New Year with more Board representation (now 16 Board Members), what advice would you like to give the IHRSA Board of Directors, if any?

4. Do you have any comments in general about the health, racquet and sportsclub industry you would like to have published?

*Mike Arteaga- President Allsport Health and Fitness-Poughkeepsie, New York and former IHRSA Board Member*

Q. #1

A. The retention presentation finally gives the impression that credible research has been done! Jim Collins was wonderful to have at our convention! In my opinion he has written the most important business book in the last 15 years!! Mr Pilsner was outstanding and we should listen to his chastising, he is brilliant man!!!! All were from outside our industry!! The presentation on the most important research of the last year, retention, was poorly attended but at least we are having this caliber of presentation!!

Q. #2

A. There isn't enough room in your paper to discuss this item, but I would like to urge them to stand up and do the right thing and not sell out because of peer pressure!

Q. #3

A. If our industry wants to grow as fast as we would like, we will have to deal with uncomfortable issues. We CAN'T dictate but we can start a dialog! We avoid things so that we don't hurt anyone's feelings and this is cowardice!!

Q. #4

A. The American people are very concerned about health issues despite the ridiculous assumption that we need half naked women or discounts to sell memberships!! Some of these ads are way beyond bad taste!! There are plenty of examples of clubs that are VERY successful without this kind of advertising!! These ads repulse the 80% of the market that is de-conditioned and we need this 80% if we are to continue growing!! Lets show some guts and begin to address the thorny issues!!!! Our number one barrier to growth is the public perception that we are for the fit and the beautiful only and we are responsible for this perception!! It will take years to change this perception so lets at least start talking about it!!!!!!!!!!!!

*RICK CARO- IHRSA Co-founder and former IHRSA President. President of New York-based Management Vision*

Q. #1

1. major networking opportunity
2. quality keynote speakers
3. huge trade show
4. interesting Financial Panel

Q. #2

A. no comment at this point

Q. #3

A. show leadership, survey wants & needs of current membership, develop a consensus on 3-4 priorities, create more strategic alliances to increase influence, have increased PR effort

Q. #4

A. we are challenged to reach out to more users & create more regular users, we are being tested by the economy, we are still not benefiting as an industry from corporate subsidiaries, HMO special pricing, insurance company pricing (regular exercisers vs. non) and from government signals (laws, benefits, tax breaks), we are apprentices at lobbying and legislative influence.

*Mike Motta, President, Plus One Fitness, New York, New York*

Q. #1

A. 1. The keynote speakers were excellent. Every one was educational; thought provoking, of high quality, entertaining, and very relevant to our industry today and for our

future planning.

2. Networking with the many IHRSA members from all over the US and the world.

3. The ACE award presentation was a delightful surprise. The winners were an excellent representation of where our industry has been (Jack Lalanne) and where we need to go (Steven Holt).

Q. #2

A. As the association flexes its political muscle under the very capable direction of John McCarthy, Helen Durkin and their energetic staff, it's important that they present a more balanced agenda. The focus on unfair competition (although important) seems very negative and all consuming. For example, the public policy pamphlet has as its subtitle, "Why should government discourage fitness facilities for the poor?" I do not believe that this is how we want our industry Association to be perceived. To Helen's credit, IHRSA has many more important issues on their agenda but unfair competition takes the headline every time.

Q. #3

(See IHRSA Comments Page 16)

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**Mem•ber** (mem-ber) *n.* one that settles in for a long-term stay; a distinct and integrated part of the whole, especially: **a.** *Finance*; one that contributes to club profits. **b.** *Mathematics*; one who is a key variable in the retention equation. **c.** *Philosophy*; one having regular interaction with club staff, possessing a strong sense of belonging: *Clubs that use ActivTrax easily retain their members for years to come.*



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## ...IHRSA Comments

continued from page 14

**A.** Think about how IHRSA can be more instrumental in getting health & fitness to the kids and leverage the existing resources to make this happen (equipment vendors, member facilities, and volunteer staff). Make volunteerism at a youth facility (like Ken Germano & Operation FitKids used to do at the AWHF convention with their "MAD; Make a Difference") a part of the annual conference.

**Q. #4**

**A.** Pay more attention to the professional staffing issues that challenge the industry as we position our services more as health care. Special populations need trained and educated clinical personnel to deliver effective programs.

**GORDON JOHNSON - Owner  
 of 3 Atlanta area Gold's Gyms**

**Q. #1**

**A. 1.** Paul Zane Pilzer's speech, 2. Ignoring Casey Conrad's Healthy Inspiration's phenomenal potential impact on our industry.

**3.** relying on the same old presenters who are the least of the visionaries with few exceptions, save the presenter from LifeStyle.

**Q. #2**

No.

**Q. #3**

**A.** Help us understand what Pilzer was imploring us to do. What is wellness and how do we revise our thinking to lead the wellness industry? There is no apparent leadership for the average independent IHRSA operator to help formulate new visions. What is the model of the future?

**Q. #4**

**A.** It's still dominated by the cheesy players who wonder why the industry is held in such low regard by the public and the financial community. All the big boys still play the hard body, low price game including LAF, GGI, 24 Hr, Bally. Some of the regional and local chains/operators bring integrity to the playing field but the impact on the industry is hardly noticeable to the public.

I would guess that as long as their dues dominate IHRSA there is scant way for IHRSA to raise the bar. Nor is there any incentive for IHRSA to follow the course suggested in the answer above.

I still like IHRSA and appreciate all that it does but I wish it could take a true leadership role in mainstream America.

**Q. #4**

**A.** Jim Collins speaking at IHRSA San Francisco, said it best; "Disciplined thought, disciplined people, and disciplined actions." Our industry has some of the most disciplined people around capable of disciplined actions. One of the industry's biggest challenges is making sure we plan these actions with disciplined thoughts and not just charge ahead using outdated business models and paradigms that used to work. The opportunity is great and the responsibility we have to make a positive impact on the health of our nation even greater.

**Rich Boggs - CEO &  
 President- Body Training  
 Systems**

**Q. #1**

**A. 1.** Jim Collins' address seemed to speak directly to IHRSA. It is a "good" Association, but not a "great" Association. The absence of visible participation by our big chain members, Bally and 24 Hour Fitness.

**Q. #2**

**A.** As an Associate Member, we are completely uninvolved in any politics of IHRSA.

**Q. #3**

**A.** At one point in IHRSA's past it was the "Association of Quality Clubs." A clear definition of standards to be a Quality Club would certainly drastically reduce the current number of members, but would define IHRSA for the consumer. In my understanding of Collins' message, this clarity of purpose, albeit painful economically in the near term, would set IHRSA and its member clubs on a path to be great, not good.

**Q. #4**

**A.** Until our industry changes our sales practices and message, our advertising image (re: Crunch mailer that Gordon Johnson responded to) and our understanding and delivery of what the consumer wants from a health club, our future will continue to reflect the past - high turnover despite the medical community's support of the need for exercise.

**Eddie Williams - CEO -  
 Wellbridge Corporation**

**Q. #1**

**A. 1.** The truth came out as to

same store sales for 2002; 3% growth was great!!

**2.** The talk by Pilsner opened my eyes to the bigger issues.

**3.** Everyone was jumping on kids' fitness and what we should do, including the manufacturers and 80% or more of clubs are not set up to handle kids at all.

**Q. #2**

**1.** There is a lot of unrest amongst the membership. The selection of new IHRSA Board member additions, is suspect. Who selected them and why?

**2.** I think there are decisions to support / not support industry issues, i.e. AEDs, which are being directed by what is best for one or two companies - not the industry.

**Q. #3**

**A.** Look at the industry as a whole. Do not pick your own issue to champion - use an industry issue.

**Q. #4**

**A.** We are in a great industry - let's not forget that. I am proud to be a part of it.

**GALE LANDERS - President  
 of 9 Fitness Formula Clubs  
 and IHRSA President**

**Q. #1**

**A.** "IHRSA, especially at it's Convention and Trade Show, continues to galvanize the industry leadership. Between the Board, ILC, and ICC meetings, several components of our industry strategy to grow, promote and protect the industry was addressed at this convention. It's the best place to network and share ideas.

The size and depth of the Trade Show was particularly encouraging given the current economic conditions, further testimony of the resiliency of the fitness industry. The trio of General Session speakers of Jim Collins, Paul Zane Pilsner, and Pat Croce were the strongest in many years, with Collins and Pilsner providing several insights for our business. Our company's first year attendees left very inspired and impressed with the scope of information available. It confirmed their passion for this industry"

**PETE MOORE - PRES. &  
 CO-FOUNDER  
 FITNESSINSITE**

**Q. #1**

**A. 1.** "The Show" I think IHRSA has done a tremendous job of turning the annual show into "The Show" to attend

domestically and internationally. The ability to attract club owners from Latin America and the Far East is a great tribute to the hard work and effort that it takes to make a show like this successful for everyone involved. This success allows vendors in our industry to become international players with limited incremental marketing costs.

**2. "The Big Thinkers"** The ability to attract keynote speakers from outside the industry will have significant implications on the way in which the health club industry operates. As entertainment, technology, health care, weight loss and fitness continue to converge, the club market will become the focal point for effecting widespread change. Outside experts will help us shape the BIG opportunities ahead. We need to "borrow" big ideas from other industries and outside experts to ensure success.

**3. "The Educational Component"** The focus on education and seminars is a key success factor that IHRSA continues to accentuate through the workshops. Continuing to highlight experts in the field will allow our industry to make continuous improvement. I believe there is a shift taking place as club owners see more value in continuing education given the high employee turnover issues we face in this industry. IHRSA is leading the way in this wave of focusing on education.

**Q. #2**

**A.** Overall, I believe IHRSA has done an outstanding job over the past few years by leading this industry to the next level although there are two issues that concern me greatly. One is "credibility of information" and the second is "keeping a level playing field".

**A. Credibility of information** - IHRSA is the mouthpiece of our industry - with this position comes great responsibility. In the past year, I have read articles and emails sent out by IHRSA that try to put "spin" on a story. Bally's and The Nautilus Group, two major public companies in the market, have experienced rapid growth and good operating results in a very difficult market. These management teams deserve praise but we must not protect these companies unnecessarily especially when they signal to the investment community, that future growth is slowing. In response

to these forward-looking statements, the stocks of these companies both decreased in value. Yet IHRSA failed to acknowledge the negative aspects of these management reports. (Reference made to IHRSA email blasts on 02/07/03, 02/14/03 and 10/16/02)

As an example, on October 16, 2002, an IHRSA email subject line stated: "Nautilus Group Announces Record Third Quarter" on the SAME day the stock dropped 42.8% from \$23.85/share to \$13.65/share (due to lower growth estimates). Investment bankers, equity analysts and investors who receive the IHRSA emails (or get them forwarded to them) do not lend credibility to IHRSA when this type of "spin" occurs.

Hence, if IHRSA is to be the leading authority in this market, IHRSA must publish the whole story - not just in the text but in the subject line of an email. In order to get further investment in our industry, we must be forthright in all accounts and not "protect" information. IHRSA must blaze this forthright trail in order to show investors they can rely on IHRSA's data, statistics and current news.

**B.** Keeping a level playing field - The new IHRSA Advantage program recently launched and, from what I understand, a number of companies have questioned its purpose. If a vendor belongs to IHRSA, shouldn't they automatically be a part of the Advantage program? Isn't the goal of IHRSA to deliver tremendous value to its member clubs? Creating a "special" Advantage program with only handful of vendors may result in alienating loyal vendors who pay IHRSA dues, attend trade shows and advertise in the magazine.

Is IHRSA giving one company an unnecessary Competitive Advantage? If so, let's just call it what it is: the IHRSA Competitive Advantage Program. If not, let's level the field and have vendors compete using IHRSA as the "vehicle for marketing" and not a "marketing partner".

**Q. #4** No comment.

**STAY TUNED!**

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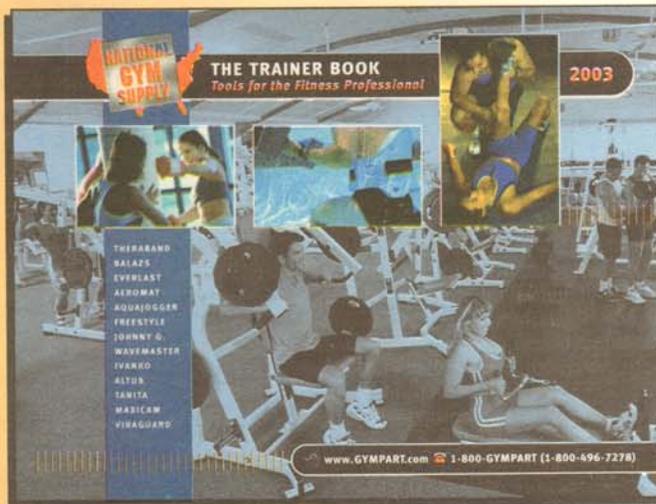
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# IHRSA Honors Jack LaLanne

## WITH PERSON OF THE YEAR AWARD

### At IHRSA San Francisco

**San Francisco-** On Saturday, March 1, 2003, the International Health, Racquet & Sportsclub Association (IHRSA) presented Jack LaLanne with the Association's *Person of the Year Award*. Known as the "Godfather of Fitness," LaLanne was honored at the 22<sup>nd</sup> Annual International Convention & Trade Show in San Francisco, California.

"We are thrilled to honor Jack LaLanne as IHRSA's *Person of the Year*," said John McCarthy, Executive Director of IHRSA. "Jack LaLanne has served our industry with unparalleled enthusiasm as a health club owner and operator, equipment inventor, fitness promoter and ambassador. Because of Jack's personal passion for physical fitness and his determination to share the

benefits of exercise with the American people, we are pleased to give him this award."

For nearly seven decades, 88-year old Jack LaLanne has been America's number one fitness enthusiast, motivating people to get fit and setting an inspiring example. In 1936, LaLanne opened the nation's first modern health studio in Oakland, CA. Defying popular and medical belief that weight training was detrimental to one's health, LaLanne established a steady following and soon developed several first models of exercise equipment, many of which are still used today.

In the 1950's, LaLanne used television to spread his message: "Get up, work out and feel better!" to audiences all over the nation. As part of his

motivation, LaLanne has staged a series of exciting and physically challenging feats much to the delight of his audiences. His first was in 1954, when at the age of 40, he swam the length of the San Francisco Golden Gate Bridge underwater with 140 pounds of equipment, including two air tanks attached to him. His outrageous feats would not end there, as in 1984, at the age of 70, LaLanne, handcuffed and shackled, towed 70 boats with 70 people aboard 1.5 miles across Long Bridge Harbor.

Over the years, Jack LaLanne, together with his wife, Elaine, has authored a number of books and produced several motivational and home exercise videos. At present, LaLanne continues to develop



*Jack LaLanne With big fan – Linda Wallace*

new ideas and exercise programs while traveling the world lecturing about the benefits of exercise and nutrition. Addi-

tional information about Jack LaLanne can be attained by contacting the Public Relations department at IHRSA.

# IHRSA HONORS FRANK EISENZIMMER

## WITH THE 2003 DALE DIBBLE DISTINGUISHED SERVICE AWARD

IHRSA, The International Health, Racquet & Sportsclub Association presented Frank Eisenzimmer with the Association's highest honor, The DALE DIBBLE Distinguished Service Award. Dean Wallace, IHRSA Board Member, presented the award to Eisenzimmer on behalf of IHRSA at IHRSA's recent Convention in San Francisco. Eisenzimmer is a legendary pioneer in the health, racquet and sportsclub industry who in 1985 led the way in the fight against non-profit competition when he fought and defeated the building of a new YMCA in his home town of Beaverton, Oregon. Eisenzimmer received the honor at a special presentation in front of his wife Myrna, son Mark and daughter-in-law Debbie and about 3,000 other IHRSA San Francisco Convention attendees.

"IHRSA owes Frank Eisenzimmer a huge debt of gratitude", said John McCarthy, Executive Director of IHRSA.

"Frank Eisenzimmer was the first IHRSA member to make us aware of the threat that tax-exempt competition can be to every tax-paying, family-owned club in the country. For Frank's dedication to our industry, his commitment to service and his entrepreneurial spirit, I am very pleased to honor Frank with this award."

For almost 50 years, Frank Eisenzimmer has been an active participant in physical fitness and at a very young age renovated an old barn into a weight lifting room. Over the years, the weight room moved indoors, as Eisenzimmer built a home and moved the equipment into his basement. He soon had a small membership base and participated in weight lifting competitions while holding down a number of full-time jobs, eventually joining the Portland Fire Department.

In 1977, Eisenzimmer saw his dream of owning and operating his own commercial health club realized. Eisen-

zimmer built a 24,000 square foot facility with ten racquetball courts and a large exercise floor. Over the years, this facility located in Gresham, Oregon, has grown in size to 116,000 square feet and is the flagship club for what has become Cascade Athletic Clubs. To date, Cascade Athletic Clubs has four facilities, 150 employees and approximately 20,000 members.

In addition to owning and operating a chain of health clubs, Eisenzimmer co-founded the Northwest Athletic Club Association (NACA) with Wayne Westwood. NACA is made up of clubs located in Oregon, Washington and northern California. It was recently renamed Northwest Regional Fit Life and currently has a membership of 80 clubs.

In 1985, Eisenzimmer was instrumental in barring the construction of a state-of-the-art YMCA within one mile of the Gresham club. Through intense lobbying and eventual legal

action, building of the YMCA was stopped and the existing YMCA location in Portland, Oregon was required to pay property taxes.

Frank Eisenzimmer is now retired. His son, Mark,

and daughter-in-law Debbie, are both partners in the family business and are responsible for the management of the clubs.



*The Eisenzimmer Family (L-R) Mark, Debbie, Myrna & Frank, with friend Dean Wallace*

## Life Fitness introduces Pro2 selectorized strength line

### Premium line takes durability and biomechanics to new level

SAN FRANCISCO on Feb. 27, 2003 at the International Health, Racquet and Sportsclub Association (IHRSA) convention, Life Fitness introduced its Pro2 line of selectorized strength equipment. Each unit in the line will come in either a standard (Pro2) or a fully featured (Pro2 SE) version.

Ideal for fitness facilities that require the ultimate in durability, this new line captures the exceptional qualities of Life Fitness' existing Pro Series strength line - durability, biomechanics and ease of use - and takes them to a new level.

"We developed the Pro2 line based on feedback about our Pro Series strength line, the workhorse of selectorized equipment," said Greg Highsmith, Senior Business Director, Strength at Life Fitness. "We added features and fine-tuned the ergonomics and biomechanics while making sure the systems were still durable, easy to maintain and simple to use, raising the bar on durability and biomechanics in selectorized equipment."

#### Superior Durability, Biomechanics and Ease-of-Use Features

The Pro2 line is manufactured with heavy-duty components to meet the most stringent facility demands. Superior biomechanics assure each movement is natural, eliminating unwanted pressure on the joints.

The machines are ideal for exercisers of all fitness levels, but are especially appealing to novice users. All the units are intuitive to use and have instructional placards with simple visuals indicating proper form and muscle groups targeted, resulting in a lower learning curve. Making adjustments to the seat and weight stack are fast, and where to make those adjustments are easily identifiable.

#### Something For Every Facility

Pro2, the standard version, is ideal for budget-conscious facilities that require uncompromised durability and premium biomechanics.

Equipped with basic features, the pieces provide extremely effective upper- and lower-body workouts.

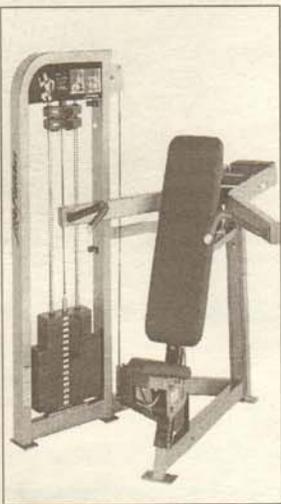
Facilities that prefer more features can upgrade to Pro2 SE, which boasts numerous options that enhance the units and make them even easier to use. The easy-to-adjust, spring-assisted roller seats can be moved along one-half inch increments without requiring users to pull a pin, allowing them to quickly make adjustments and begin to lift.

The integrated incremental weight system enables exercisers to increase the weight in smaller amounts and makes modifications quicker to execute. Full rear weight stack shrouds create a distinctive look. Customers may select from a wider range of contemporary color options with the Pro2 SE, including seven for the frame and 10 for the upholstery.

"By offering the Pro2 line in two versions, we make it even easier for facilities to customize their equipment selection to meet their customers' needs and stay within their budgets," added Highsmith.

#### Availability, Price and Warranty

Thirteen initial Pro2 pieces - Abdominal Crunch, Biceps Curl, Chest Press, Horizontal Calf, Lat Pulldown,



New Pro2 Shoulder Press  
By Life Fitness

Lateral Raise, Leg Extension, Pec Fly/Rear Deltoid, Leg Curl, Leg Press, Seated Row, Shoulder Press and Triceps Extension - will be available in April 2003; complete 20-unit lines will be available in Q4 2003.

The average manufacturer's suggested retail price per unit for Pro2 is \$2,600, and for Pro2 SE it's \$2,900. The line has a 10-year limited warranty on the structural frame (not

coatings); five years on the pillow blocks, pulleys, weight plates and guide rods; one year on the linear bearings, cables and grips; and 90 days on the upholstery, springs and any items not specified.

(Life Fitness, a division of Brunswick Corporation (NYSE: BC), is the global leader in designing and manufacturing a full line of reliable, high-quality fitness equipment for commer-

cial 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.)

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# “As I See It”

## “STALKING NEW MEMBERSHIPS: THE WRONG GAME”

By: Michael Scott Scudder

At times I feel like that ancient icon Sisyphus, condemned forever to push a large rock up a big hill. *These times are one of those times.*

I do a lot of reading (of fitness/club industry publications), a lot of listening (to hundreds of club owners and managers each year in my seminar tour and at national conferences), and a lot of thinking about the health club business. All of the reading, listening and thinking adds up to some heavy-duty opinions, if not just-plain-conclusions. I'm not sure whether this month's column is the former or the latter...but here goes.

The game in the modern club industry (post-1970's) has been to *get more new members*. Our esteemed and honored industry trade association, IHRSA, has made a decade-long priority of that game (100,000,000 members by 2010). And, while I came out positively two years ago for IHRSA's stand in the matter, I'm now beginning to wonder. Tell you why.

By my estimate (I mean, no matter *where* I go, I can't get *really accurate* industry figures - they keep changing like a chameleon - apparently our industry is as affected by "spin" as anything

else these days), we presently have:

- about 34,000,000 U.S. health club members
- about 20,300 commercial health clubs
- about 5,000 not-for-profit facilities
- about 15,000 "other" fitness facilities (hotels, condos, co-ops, gated communities, military/government installations, studios, etc.)
- a 40% annual member-turnover percentage
- a roughly-5% new-club-growth factor annually
- an estimated 3% member-growth rate annually
- a 7% industry-wide pre-tax annual profit margin.

Also, again by my estimation, our industry has managed to sell some 120,000,000 memberships since 1991. Great accomplishment. But when you consider that only 34,000,000 of those people *remained as members* of the clubs they joined (about 28%), then we begin to see the dilemma of an aged business model that is based on the selling of new memberships to survive.

My friend and fellow fitness-industry-influential Thomas Plummer ("influential" is the new buzz word for those of us who have credibility and are also willing to shoot off our mouths), in his recent excellent newsletter, says that he believes

2003 through 2005 will be "boom years" for the health club business. I wish I shared Thom's optimism (or his crystal ball - mine is a bit clouded these days). I think, with a facility growth rate outpacing a membership growth rate, with a facility/market-saturation factor already evident in many cities, and with an increasing economically-skeptical and harder-to-please public, that we are more likely to repeat the era of the late 1980's - early 1990's where the number of memberships stagnated for over 40 months and the number of facilities actually decreased.

Add to the above the factors of higher wages, increasing administrative costs and the constantly-high cost of new member sales, and one can quickly prognosticate that those independent facilities chasing the "more new members" bandwagon are definitely barking up the wrong tree. I believe that a final nail in the coffin for many players in many sections of our country is the fact that *all* of the major chains (Bally, 24 Hour Fitness, L A Fitness, Gold's Gym, World Gym, Powerhouse, etc.) in the "gym" sector of the business (which still comprises better than 75% of all clubs presently) are concentrating on the same demographic market: 18-34. This "young-adult" market represents only about 40% of total memberships in clubs, and is a market that is *not growing* nationally! Looking at population trends, it is predictable that that market sector will not grow for another 8 to 10 years.

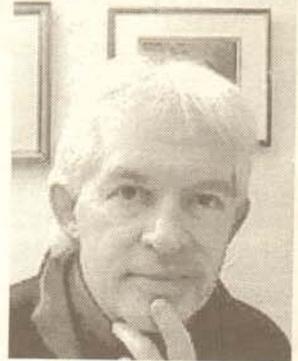
So...*what* will save the independent entrepreneurs of our industry? *What* is to keep the majority of club owners in our business from merely scratching out a living and constantly worrying about their futures? Indeed, one can make the case that there is a strong statistical possibility that some 2,000 or more clubs will go out of business within the next 3 years. *What* are the strategies that will keep the doors from shutting on those now-marginal clubs?

Will it be selling *more new memberships*? My answer to that is NO! While there are

certainly "natural attrition factors" that are probably not containable (moves, dissatisfaction, lack of motivation) which may account for 15% or possibly even 20% in most marketplaces - thus obviating that a club will *always* have to sell *some* new memberships... selling costly new memberships as the way out of the mire is not the way to go. Not unless you have a rapidly-growing population in your area and have a lot of bucks for mass marketing (which, for the most part, has not worked in our business in the last 5 years or more)!

Those who survive, and indeed, *grow* their businesses will do so because:

- they understand that membership is only the "ticket to the dance"
- they comprehend, and do something about, non-membership offerings they "get it" about programming
- they know that extended physical training in the "crucial period" for most new members (the first 90 days) is the first key to member loyalty and longevity
- they grasp the importance of group exercise and group training
- they embrace the "20-80 rule" (20% of your members will produce 80% of your necessary ancillary income - which is where your profit lies - not in membership)
- they will up-price and will build a strong receivables base
- they will concentrate the majority of their efforts on present members
- they adequately compensate - provide incentives for staff members



Michael Scott Scudder

Those who fall by the wayside, in the post-mortem, will have realized that they stuck with "the old formula" (sell more new memberships, probably having to rely on discounting, to cover the ones who are exiting out the back door at a rapid rate) until it was too late. And when it is too late - if history in our industry is any indicator - *nothing* works.

I truly hope I'm wrong about this...but I suspect that I'm right on. Even if I am wrong, if *you*, the reader, follow my advice above... YOU will be right - and more prosperous.

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

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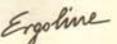
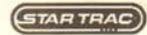
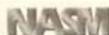
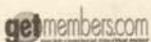
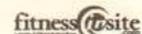
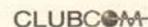
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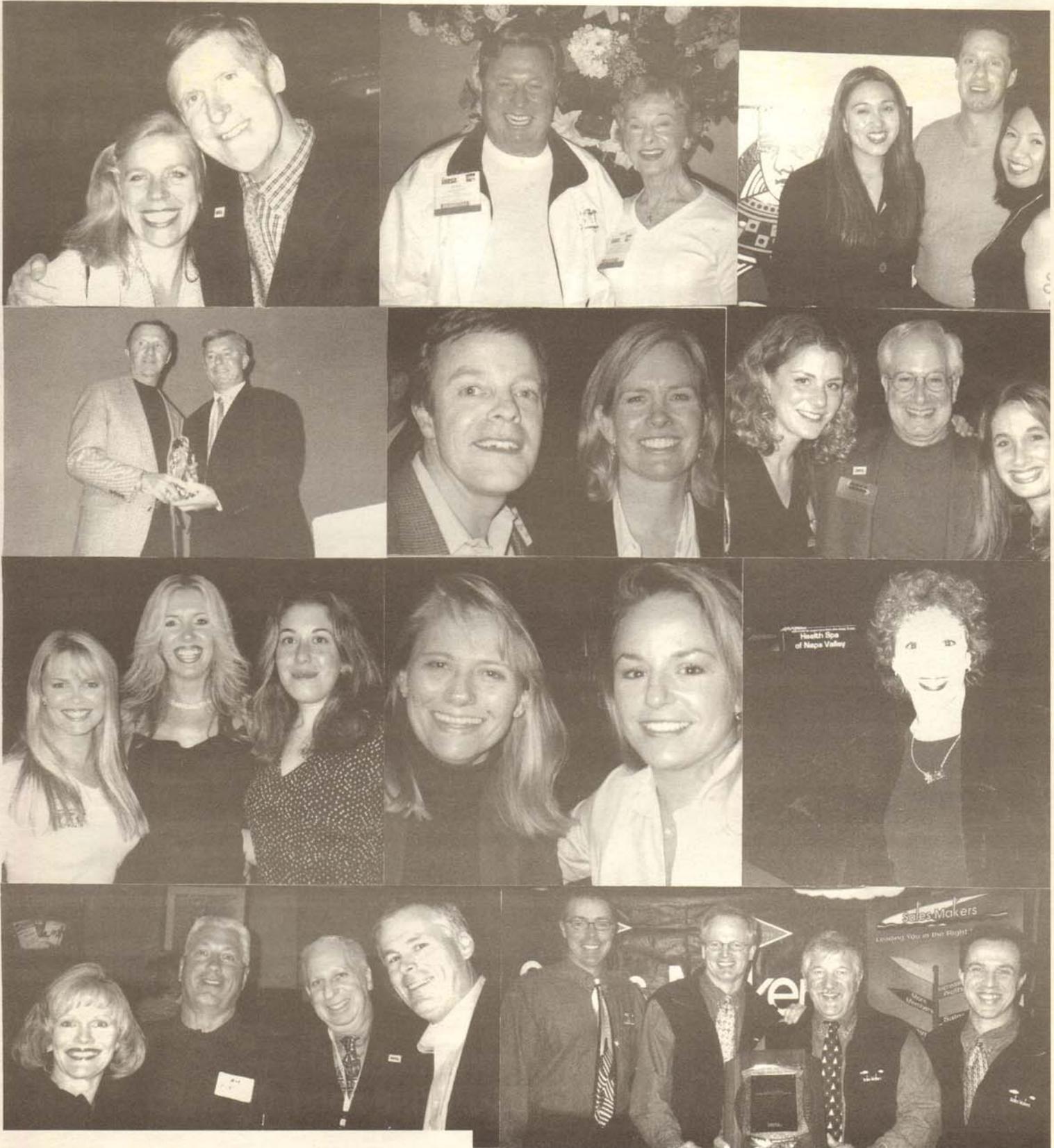
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# AMERICAN GLADIATORS

*American Gladiators Sports & Fitness begins a new revolution in health and fitness*

By: Gary Lemons

Over the last eighteen months, the original founders of American Gladiators have worked closely with many of the top names in sports and fitness to develop a comprehensive program to help certified fitness trainers capture the spirit of America through motivation, training, and events. This program offers personal trainers and training facilities a powerful opportunity to attract new clients and motivate existing ones through unique incentive-based programs.

Brand recognition provides a powerful marketing strategy. Ten years of the American Gladiators TV Game Show built a consumer base of over 100 million fans worldwide. The American Gladiators Brand symbolizes the essence of fitness and sports competition. The TV Show captured the dreams and aspirations of the people of mainstream America. Personal trainers and facilities can now capitalize on

this recognized brand and transform their ordinary fitness training businesses into extraordinary fitness training businesses.

On March 31st, 2003, we will launch the American Gladiators Licensed Fitness and Competition Trainer program. This exclusive program offers many benefits and options never before available to personal trainers. We have developed a specialized fitness and sports training program, a complete internet-based support system, and an incentive-based program to prepare and motivate clients to participate in American Gladiators sanctioned sporting events and fitness challenges in their local community, in regional competitions, and possibly to earn an appearance in the American Gladiator Games scheduled for summer, 2006 or 2007. These events currently include eighteen different competitor sports events, sports club competitions, virtual competitions and extreme competitions. The challenge events include a

body transformation challenge, fitness challenges, college challenges, corporate challenges, inner club challenges, martial arts challenges, military challenges and kids' challenges. The adventure competitions include: multi-day mountain series, on-ship cruise events and international challenges.

Rolex is not just another watch, and American Gladiators is not just another training program. Becoming an American Gladiators Licensed Trainer or facility will set you apart from your competition. Personal trainers and facilities will receive personalized marketing, advertising, and promotional materials, and also reap the rewards of our massive national marketing and public relations campaign. New clients will flock to your business, while existing clients will experience newfound inspiration to become American Gladiator participants.

Personal trainers and fitness facilities stand prepared to posi-

tively impact the health and well-being of millions of Americans. By becoming an American Gladiators Licensed Trainer or facility, you can impact the many clients you serve. Remember—only American Gladiators Licensed Fitness and Competition Trainers can prepare millions of Americans to participate in a choice of thousands of American Gladiators sanctioned fitness challenges and athletic events all over America. We will need thousands of trainers and facilities to truly make a difference.

With so many Americans more obese and less physically active than at any other time in our history, together we can make a significant difference by offering expert guidance, motivation, entertainment, and hope for a better, healthier, and more inspired future.

Join a new revolution in health and fitness. Visit American Gladiators Sports & Fitness at [www.AmGladTraining.com](http://www.AmGladTraining.com).



**Gary E. Lemons**  
President & CEO,  
American Gladiators  
Sports & Fitness

*American Gladiators Sports & Fitness seeks strategic partners throughout the fitness industry to stand with us and help impact the health and well-being of our nation. We seek strategic partnerships with:*

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- Fitness Facilities
- Health Clubs
- Training Studios
- Athletic Event Coordinators
- Fitness Equipment Manufacturers
- Fitness Product Manufacturers

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# Increase Profit by Reducing Staff Turnover

By: Karen D. Woodard-Chavez

At the recent IHRSA convention in San Francisco, I had numerous conversations with club operators about the status of their business. Some are experiencing record breaking months, some are hurting and all are paying more attention than ever to the expense side of the bottom line equation. While I clearly felt the passion that exists in this industry, I also sensed a combination of concern, gravity and even fatigue.

When times are tougher or you are seeing higher cancellations and new sales are not happening the way you projected – who wouldn't be concerned? However, when these qualities are present in the way we operate our businesses or lead our staff, they can have detrimental effects. The flipside is that if there is a sense of concern, fear, gravity, fatigue, etc., these elements can be turned around at very little cost. By eliminating these factors, the impact on the entire staff, their perspective and their performance can be huge.

The focus of this article is to increase profitability by reducing staff turnover. The approach to that goal will be to appraise how you praise with primary emphasis on your work environment.

The common misperception with most incentive/motivation/recognition programs is that it is always about money. While every one of our staff has economic requirements, when it comes to retention, you can't buy their love so to speak. It is one

component in the package - not the entire package. In fact, recent studies show that money as the only incentive or reward is not as effective as it has been in the past for a variety of reasons. Workers in the U.S. rarely rate it higher than fourth on a scale of 1-10. (go to [www.karenwoodard.com](http://www.karenwoodard.com) for a list of the Top 10 Motivators for Workers)

Consider this, Bob Nelson, the author of *The 1001 Rewards and Recognition Fieldbook* cites that 48% of employees surveyed would *not* recommend their organization as a great place to work; 58% said they would leave to work elsewhere for a *slight* increase in pay. Hmm...you might be thinking "Ah-ha! It is about the money." No. It is about the package. It is about whether or not your staff is happy where they work. If they are *not* happy, you bet they will leave for *slightly* more pay. If they *are* happy, they will probably stay with even *slightly less* pay. Let's go to your club now. How do these statistics reflect the reality of your work environment? How do you know? If you don't know, now is a good time for a survey. If the results prove to be similar to those in the statistics cited, then this is an area that needs attention -- attention that will have a profound affect on your staff, your Member's experience and your bottom line.

Most organizations have some sort of staff recognition system but it is not systematic. Most are sporadic at best. Now is an excellent time to assess yours and determine how to make it an asset of your organization. Consider implementing the following:

## 1. Recognition Committee

Do you have a staff committee of five that volunteers for one year of service to determine exactly what the entire staff perceives as "recognition"? If you are coming from your own sometimes-myopic perspective, it can backfire. The purpose of this committee is to be an outreach tool for the entire staff to understand what means the most in terms of recognition and reward to the people who are working in your organization. The committee also seeks out creative ways to reward staff. The committee does not necessarily determine who gets recognized or rewarded (they can). Instead, they become the perspective of reality as well as the champions of the program. This will make everyone's jobs easier. (This volunteer committee concept is part of a larger picture in creating leadership tracks in your organization that reveal a tremendous amount about the staff that volunteer to serve.)

## 2. Management Assessment

People work for people, not organizations. Are your managers, department heads, etc. creating environments that are high self-esteem environments? Are they communicating the necessary information in the most appropriate ways? Do they have the information they need to communicate to staff? (That is the bigger question.) Do they understand the vision, mission and core values of the organization? Are they being fair, credible, trustworthy leaders or are they trying to be

everybody's buddy? If staff feels that they have a good boss, they often feel that they have a good job.

## 3. Crystal Clear Communication Values

Does everyone in your organization feel comfortable communicating to the people they need to communicate to or is there too much indirect communication? If you have young staff, have you taken the time to teach them how to communicate professionally and directly? (go to [www.karenwoodard.com](http://www.karenwoodard.com) to download "Communication Guidelines")

Additionally, do all staff feel that they are in the loop on club changes for policies, programs, issues, etc.? Or, do you here "I didn't know about that -- when did that happen" frequently? Does the staff feel that there ideas and communication are valued? Do they offer you their ideas frequently? Do you have a system for them to offer their ideas?

## 4. Measure the Growth

Earlier in this article, I encouraged you to do a survey to determine how your staff feels about the work environment in your organization. I encourage you to start with that survey as soon as possible. (Go to [www.karenwoodard.com](http://www.karenwoodard.com) to download a simple survey.) After you review the survey, determine what steps you need to take to enhance your work environment and implement them. Then, measure your growth by taking another survey in three months. As you review the survey results, pay



Karen Woodard-Chavez

particular attention to the employees that participated in the survey three months prior. That will be very revealing.

There are numerous ways to recognize and reward staff for a job well done that range from simple to extravagant. Before you jump into the myriad of incentives available, consider the simplicity of assessing your work environment with the previous four points as a starting point. Be certain that you have the *basics* down and then if you need to, go for the candy.

*(Karen is President of Premium Performance Training in Boulder, Colorado. She has owned and operated clubs since 1985 and now consults with and trains club staff throughout the world. She provides her services on-site, online, by phone and through books, tapes, and manuals. She can be contacted at 303.417.0653 or [karen@karenwoodard.com](mailto:karen@karenwoodard.com))*

## ...Norm's Notes

continued from page 6

Vegas IHRSA event. Why? Check out our new "PR Moment" by BONNIE PFEISTER on page #28 of this issue. The fact is that the war against the non-profit, tax-exempt Sector YMCA's, Parks and Recreation facilities, university facilities, etc. must be fought on more than one front. IHRSA's Legislative and Governmental efforts, headed by the very capable, HELEN DIRKIN, are making progress.....but deal ing with

government issues is enough to make you crazy when you want results NOW! But, I am here to argue that a second, untapped and potentially huge front for this fight against unfair-tax free competition must be waged on the Public Relations front. And, the good thing is if your club does not already have a Public Relations plan of action you need one, even if you don't have tax-exempt, non-profit competition yet in your market I urge you to read page #28 of this issue as we intend to begin to provide a monthly column entitled: "The PR Moment"

that will share with you the PR success stories we find around the country.

• **Fitness Management Magazine**, for the second year at IHRSA, presented its **Nova7 Awards** to clubs from 7 different industry categories. Out of courtesy to CHRIS BALLARD, Publisher of *Fitness Management*, I am holding comment on the Winners except to say CONGRATULATIONS TO THEM ALL and to tell you to be sure to check out the April, 2003 edition of *Fitness Management* for the story with photos

of the winners.

• **American Gladiator Sports**, an ISSA affiliate, has launched a new licensed Fitness and Competition Trainer program Check out their ad on page #24.

• Congratulations to STEPHEN HOLT, of The Maryland Athletic Club and Wellness Center, Baltimore, Personal Trainer of the Year, KARI ANDERSON, of ProRobics Conditioning Clubs, Seattle and NORMA SHECTMAN, of Sports Club, Irvine, CA. as they were the winners of

The American Council On Exercise (ACE) annual awards for excellence.

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# Announcing "The PR Moment"

*(Publisher's Note: The PR (Public Relations) World in the health club industry is one that requires creativity, planning and execution. Bonnie Pfeister is a co-owner & manager of Club Legends Fitness in Valdosta, Georgia. Bonnie and her husband of 9 years, Steve, have taken a basically bankrupt club with 150 members and over 3 years, increased membership to 3342. Public Relations thrusts for Club Legends Fitness that was planned and executed by Bonnie Pfeister, played a significant part in this amazing turnaround. We are happy to present our new monthly feature entitled "The PR Moment", and we invite you to participate by sharing your club's greatest P.R. Moments. (See Form Below)*

## Thinking Outside the Advertising Box

By: Bonnie Pfeister

Three years ago, when my husband and I moved to Valdosta, Georgia to revive a dying health club, we immediately started flooding the papers and airwaves with high-energy advertising. Even though our advertising had captured a good audience, there was a whole other group that was skeptical and that needed to be reached in a different way. This group of people needed to get to know us better before they would trust us enough to join. You see, before we became involved, the club had a terrible reputation. Believe me, we heard all the stories the first week we were there. The members told us how they came to work out, only to see chains on the door, a rumor of drugs, equipment stolen, and most tragically, many members out of money and/or a gym. This is why it was important for us to reach out and gain the trust of our community. The question became how?

Anyone can pay for advertising, but it takes creativity and effort to think outside of the traditional advertising box. After brainstorming, I sat down with our leading local radio station to pitch an idea that would be attractive to both of us. My idea was to go on the air once a week during the morning show and share fun and helpful health and fitness tips with the listeners. I proposed that we would call it The Club Legends Fitness Minute. I would make the Fitness Minute attractive to the listeners by always having a fitness related

trivia question where the listeners had a chance to win a special two-week VIP pass to the club. The radio station agreed to let me try out my idea for a few weeks. I was amazed by the success and have been doing the Fitness Minute now on two different stations for almost three years. My tips are filled with information that everyone could use and not just for the health nut. Subjects include crazy fitness equipment inventions, funny fitness-related stories, information on health and nutrition, and updates on the latest fitness trends. In no time at all, and with help from the disc jockeys, I became a real person in the minds of our listeners instead of a name. People got to know me better and began to trust me and Club Legends Fitness. Advertising alone can give you these results.

A few months ago I decided to do the Fitness Minute for our local newspaper in addition to the radio stations. Given that it would advertise the club, I would have to pay a minimal fee for the space, but it has been well worth it. My weekly column appears in the Sunday paper along with my picture. The column gives people a chance to put a face with my name and the opportunity for me to share my personality through my writing.

By now, your wheels should be turning as you start to think about how you could start something like this in your area if you have not already done so. Here are four simple tips to get you started.

**1. Find the right person in your organization for the job.** This is very important.

The person in the spotlight doesn't necessarily have to be the fitness guru; they just have to know how to use their resources to get good information and know how to present the information well. It is also very important that the person look the part. Remember, most people get turned off by the bodybuilder look, so choose someone that could appeal to all types of people.

**2. Choose the right outlet for your club.** It is vital that you consider your target market when choosing your outlet for something like this. Of course it would not be wise for you to do a Fitness Minute on the teen station when you cater to older adults. The two radio stations that we use are 95.7 The Mix, which is a top forty station and the number one rock station, Rock 108. Both have listeners that range from teenagers to people in their forties. Take into consideration that our target market is the 20-40 year old age group.

**3. Select the right material.** Remember that most people don't want to be reminded about how fat and out of shape they are. Choose material that is encouraging and user friendly. Spice it up by doing a funny "fitness minute" every once in a while. Remember that radio is entertainment, and it is very important that you are entertaining enough to listen to.

**4. Be consistent.** I have been doing our Fitness Minute on two different radio stations every Tuesday morning for almost three years. I have learned that people actually will turn on the radio just to hear my



Bonnie Pfeister

little Fitness Minute in hopes of getting something out of it, even if it is just a laugh. This is why it is imperative that the person is dependable and consistent.

If the thought of adding a Fitness Minute in your area excites you, I challenge you to follow through with it and make it happen. The actual Fitness Minute on radio is only a few minutes a week, but the benefits that go along with the Fitness Minute come daily. For example, Club Legends is invited to every live remote to give out free day passes and the disc jockeys talk on air about Club Legends all the time. I have built a relationship with the radio station and the listeners and, as you can see, the rewards can be great.

*(If you have any questions about this article or the Club Legends Fitness Minute, or if you start a Fitness Minute after reading this article, please contact me at clublegends@earthlink.net.)*

## FITNESS MINUTE

"Fitness Minute"

by Bonnie Pfeister

### LESS IS MORE

If you are struggling with a weight problem, it may be difficult to comprehend the importance of eating more often. Notice I did not say to eat more, but simply to eat more often. This means eating six small meals a day instead of eating two or three large meals a day.

When battling a weight issue, it is easy to stuff yourself one day and starve yourself the next. It is no wonder your body stores fat; your body has no idea when it will get its next meal. The body is designed to survive. Think of it like this, if you did not know that food would be available tomorrow, wouldn't you store up as much food as you could today? The body is designed to function in a similar way.

By eating six small snacks and meals, your body will no longer need to store fat, which is what our body runs on when it is out of food. You will also see improvements with your blood sugar, energy, concentration, and even disposition. Here are some tips to help you get started on your new eating schedule.

1. Plan meals in advance.
2. Always have healthy snacks available.
3. Supplement meals with healthy bars or shakes.
4. When eating out, put half of your meal in a to-go box to eat later instead of eating it all at once.
5. Avoid "all-you-can-eat" buffets.

Check out next week's Fitness Minute for more tips to eating right or call (229) 259-0500 for membership information.

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## They Are At It Again! BTS Launches Body Defense Systems

By: Norm Cates, Jr.

Well, my old friends Rich Boggs and Ray Irwin are at it again. They were my partners in the first chain of racquetball clubs in the Southeast, Courtsouth from 1976 to 1980. In May 1981, we went our separate ways and Boggs and Irwin started the SportsLife chain of health clubs with Jerry Alles and Lou Off. The chain grew to seven clubs and 45,000 members when Rich and Ray took off to launch the Original Step in 1989. That product has sold over 8 million units and is in over 17,000 health clubs in the U.S. In 1997, they were approached by Phillip Mills to become agent for BODY-

PUMP® and Body Training Systems® in the U.S. and Canada. Rich, who is the master of due diligence on new items, flew a team to Germany to take a class, then to Australia where the product had been in clubs for approximately two years. Finally, they spent a week in New Zealand, the home of Les Mills Body Training Systems.

Armed with the knowledge of the tremendous impact world class group fitness could have on the profitability of clubs, Rich and Ray launched Body Trainings Systems (BTS) in July 1997. My predictions soon after the launch of BODYPUMP, that it would have tremendous impact on the industry, has proven to be accurate. The *Club Insider*

News has published a number of testimonials from club owners who have substantially increased their guest traffic, member referrals, group fitness participation and importantly, net profit as a result of BTS.

As I mentioned earlier, the boys are at it again. Following is an excerpt from a letter that Boggs sent out to a cross section of high visibility IHRSA members to get their first hand feedback on the validity of the concept at the recent show in San Francisco:

### THE PRODUCT

The product is the BioPhotonic Scanner by Pharmanex which is a \$1 billion company traded on the NYSE. This scanner is the world's first non-invasive measuring tool that provides immediate evidence of antioxidant activity in your body. The scanner was developed by a leading university and has received scientific acclaim throughout the world by those scientists who have been researching the role that antioxidants play in defending the body against free radical damage that weaken cells leading to such diseases as cancer, macular degeneration of

the eye and numerous other serious illnesses.

By simply placing the palm of your hand in front of the low-energy blue laser light, you will obtain an immediate reading (less than 5 minutes) of antioxidant activity in your body – this reading is called your Body Defense Score. Once an individual has his Body Defense Score, he may make an informed decision on how to improve that score which include the following.

1. Cigarette smoking is one of the major contributors of free radicals. Anyone smoking or around smoke should eliminate that activity immediately.

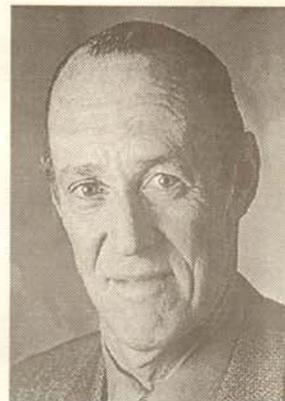
2. Increase your intake of fruits and vegetables on a daily basis to a minimum of five to eight servings a day.

3. Take a high quality multi-vitamin enriched with carotenoids (a type of antioxidant that is highly effective in combating free radicals).

4. Come back after 60 days to check the improvement in your Body Defense Score.

### BOGGS' DUE DILIGENCE

In an effort to validate the claims being made by



Rich Boggs

Pharmanex about both the BioPhotonic Scanner and the supplements, Boggs began his due diligence by contacting Dr. James Rippe, past Medical Director of IHRSA, who has been on the Pharmanex Medical Advisory Board for the past four years. Rippe confirmed the enormous potential of the BioPhotonic Scanner and indicated he would be doing a major double blind research trial starting in the next few months. He also indicated that the Pharmanex supplement package was a very solid package backed by good research and quality people. Boggs then flew to the company headquarters in Utah, to meet with the President, Joe Chang. During the meeting, Boggs recommended that Pharmanex consider guaranteeing the results from taking the Pharmanex multi-vitamin product based on the research that the company had done. Chang indicated that the company had considered this seriously and within 10 days announced an unprecedented guarantee that if the Pharmanex products taken for two months do not increase the Body Defense Score, the company will refund 100% of the cost of the supplements.

Following a complete presentation to a diverse group of IHRSA club owners, Boggs returned from IHRSA fully committed to moving forward with this powerful new concept.

### THE BODY DEFENSE SYSTEMS

Boggs believes that this new technology has the potential to do to the supplement industry what cholesterol (See Rich Boggs Page 30)

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February 14, 2003

Never say never! That has been my mantra for my 37 years in business. I've had only one caveat...NEVER be involved in MLM or network marketing. Well, last week that changed and had it not been for the insistence of several good friends, I would have missed a concept with greater potential for the club industry than both The Step and Body Training Systems (BTS). Over the past month I have done substantial due diligence to assure that this product is credible and has club application, not just MLM application.

The concept is simple – a non-invasive scanner developed by the University of Utah's Center for Biomedical Optics (developer of the Jarvic Heart) that could parallel the impact of cholesterol testing twenty years ago which increased that market to over \$20 billion.

BTS has taken this exciting concept and developed a "system" for clubs to use that will:

- Generate guest traffic
- Sell memberships
- Create a profit center that does not currently exist

Following our meeting you will be able to make an informed decision about whether this concept has application for your operation. I do not believe this will be a waste of time and hope we will have a chance to visit during IHRSA.

Good health,

Richard P. Boggs  
President/CEO  
The Step Company/Body Training Systems

### ...Rich Boggs

continued from page 29

testing did in creating the \$20 billion dollar cholesterol industry. In addition, properly presented and executed through health clubs which have high traffic, this could deliver on Boggs' three claims for the

health club:

1. **Increase guest traffic** – use the BioPhotonic Scanner as a health fair item to scan members and their friends. The Scanner can also be taken to corporations and used as a very effective vehicle for generating interest in the local health club.

2. **Develop a new profit center for the club.** By offering the Pharmanex product – LifePak – which has an auto-shop program that requires no inventory by the club and which is fully guaranteed by Pharmanex for two months following the purchase. This delivers a solution to the 10 to 30% of the people that will make a buying decision to improve their supplementation at the point of scan.

3. **Tie the sale of the supplements to a sale of a membership which may or may not be fully guaranteed as are the supplements.** For those clubs using BTS programs, Boggs is testing a guaranteed sale of membership tied to the BODYPUMP program which receives rave consumer reviews.

### BTS/BDS

Body Defense Systems will become a division of Body Training Systems offering clubs who participate in the Bio-Photonic Scanner through this organization a complete system for maximizing the opportunities available. This system will include:

1. A website which is [www.bodydefensesystems.com](http://www.bodydefensesystems.com)
2. A toll free number which is 877-263-9333 (BODYDEF) or (770) 424-8161
3. A resource of information on scanner research, clinical studies and press releases to ensure a source for current, accurate information.
4. A resource for marketing materials in addition to various success stories for howto use the scanner profitably.
5. There will also be an area for

health club support to assist with account set ups, a revenue model for scanning and training modules.

All of these resources combined with Boggs and Irwin's 27 years in the industry and numerous successes should provide the platform that will enable health clubs to successfully take this incredible new concept to the consumers in a professional and profitable system. I would suggest you give Rich Boggs a call today at 877-263-9333 or (770) 424-8161 and find out how you can become involved in this exciting new concept.

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bodytraining**systems**



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

- Gordon Johnson, Gold's Gym Owner

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



- John Bonica, Global Fitness Owner



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

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

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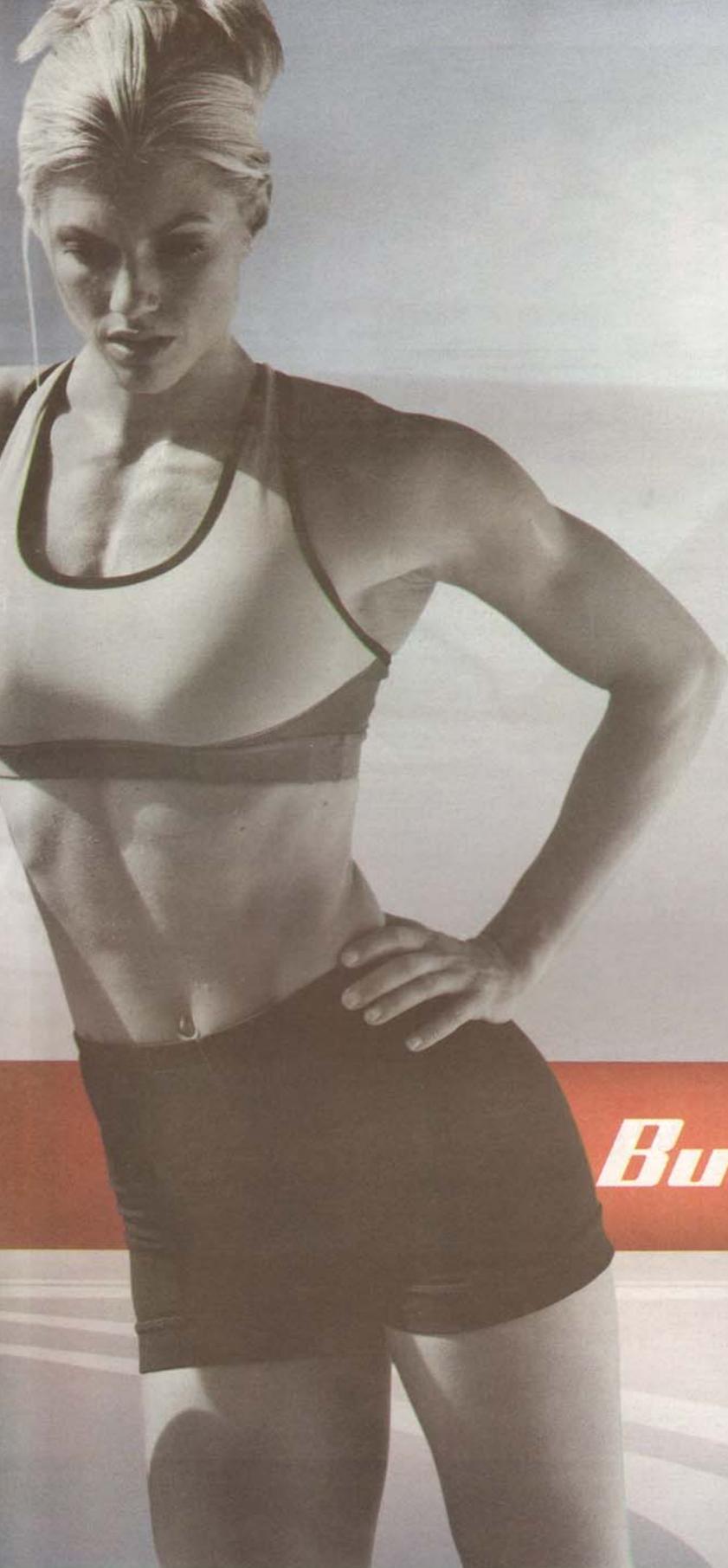
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