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Norm Cates' CLUB INSIDER™

MARCH 2009

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



**Gold's Gym International
Launches New Concept Gym**



**Affiliated Acceptance
Corporation Celebrates
20th Anniversary!**
A Letter From the President

fiserv.

**CheckFree Health
and Fitness Is Now
Club Solutions, Fiserv**



**The "Question of
the Century"
for the Health and
Fitness Club Industry**

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1993

Gold's Gym International Launches New Concept Gym

DALLAS, TX - March 17, 2009 - James Weaver, Gold's Gym International (GGI) CEO, officially announced today that GGI is rolling out a new concept gym. The new model will feature two size options: 8,500 and 12,000 square feet, and both will provide existing Gold's Gym franchisees with a cost effective growth opportunity and prospective Gold's Gym franchisees the opportunity to get into business with lower entry barriers.

In addition to speaking to James Weaver, GGI CEO, CLUB INSIDER spoke with Joel Tallman, GGI Vice President of Franchising and Global Development; Keith Albright, GGI Senior Vice President of Franchising; and David Reisman, GGI



Director of Communications about Gold's
(See Gold's Gym Page 10)

Affiliated Acceptance Corporation Celebrates 20th Anniversary!

A Message From the President

A warm welcome to all of our clients of Affiliated Acceptance Corporation. We truly appreciate your business and the opportunity to be your processing company. We know we are not the only company out there, so we do everything possible to retain your business which keeps us at the top of our game. Entering into the first quarter of 2009, Affiliated is celebrating our twentieth anniversary - twenty years of service to the health club industry. Started in 1989 by a small group of people with a vision and a strong desire of accomplishing our goals, AAC is twenty years strong. Congratulations to our many clients that have trusted in our services in helping them



prosper for all these years and hope the many new and future clients can prosper with us for the next twenty years.

Our service to our clients continually changes with improvements. We strive to have the best and most affordable processing and software services in our industries. All of our employees contribute on a daily basis to keep AAC the
(See AAC - 20 Years! Page 14)

CheckFree Health and Fitness Is Now Club Solutions, Fiserv

BROOKFIELD, WI - February 23, 2009 - CheckFree Health and Fitness is now Fiserv. CheckFree, founded in 1981, and acquired in 2007 by Fiserv, Inc. (NASDAQ: FISV), the leading global provider of financial services technology solutions, announced it is changing its name to Fiserv. The change of the name and the brand unifies all Fiserv business units with a new, enhanced market approach and brand identity, affirming the company's commitment to its clients and to leading the transformation of financial services technology. The new icon is representative of a further acceleration in Fiserv's singular approach to the market and better anticipating changing client demands



within a rapidly evolving environment.

CheckFree Health and Fitness will now be called Club Solutions, Fiserv.

Club Solutions, with 120 employees and offices in Webster, Texas; Dublin, Ohio; Norcross, Georgia; and Wokingham, England, provides software and services designed to meet the
(See Club Solutions Page 18)

The "Question of the Century" for the Health and Fitness Club Industry

By: Norm Cates

In the January 2007 edition of CLUB INSIDER, our cover subject, Governor Mike Huckabee, then 10-year Governor of Arkansas and now former Presidential candidate, described a new phenomenon in the United States: Presenteeism. He was discussing the fact that the cost of health care is nearly 17% of our gross domestic product and that we are headed towards true financial disaster should we not solve the obesity pandemic in the United States.

All of us know that obesity causes multiple chronic diseases, and he made that point as well. Here is what Governor Huckabee had to say



in November, 2006 at the Governor's Mansion in Little Rock, Arkansas:

Responding to my question, "Governor Huckabee, please fast forward 10 years and predict what the future will bring should America NOT be successful in the fight against the obesity pandemic?" Governor
(See The Question Page 18)

Herb Lipsman to Be Honored at IHRSA

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Got to Close?

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- Rick Caro's 13th Annual IHRSA Financial Panel
- IHRSA Financial Index Shows Improved Overall Performance in 2008
- Medical Fitness Association Partners with NuStep, Inc.

Norm's Notes: •\$49 - Best Value for 51 Monthly Archived Issues of CLUB INSIDER! •Julie Main Emerging Woman Leader Scholarship Winner is Karen Jashinsky! •Alan Downey, Mary Sharp and Affiliated Acceptance Corporation Team Celebrates 20 Years in Business! •CheckFree Health and Fitness is Now Club Solutions, Fiserv. •24 Hour Fitness Now Selling Memberships Inside Costco Stores! •Western Athletic Clubs Take Over Operations at San Francisco Tennis Club •Former Health Club Owner/Operator, Robert Allen Stanford, Charged by Feds in \$8 Billion Fraud! •Houstonian Names Shannon Bille as Fitness Director •Nautilus Recalls 78,000 Bowflex Machines! •Brian Evans' American Family Fitness Donates \$25,000 to Send Kids to the Winter Special Olympics

Norm's Notes

•Hello all Americans and friends around the world! This is your friendly CLUB INSIDER Publisher Since 1993 checking in! *What a country! God bless America! What an industry! God bless you for being a part of it!*

•I know some of your clubs are not experiencing the greatest of times. I can only say to those of you whose club businesses are hurting from the economy... keep on *working hard and don't give up!* Read all you can. *Learn* all you can. *Get new ideas* from wherever or whomever you can. If you're in San Francisco at IHRSA reading this right now, you're in the *right place at the right time!* Wherever you're reading this, I can only say to you, just keep on *thinking, learning, changing and finding ways to get better in your business.* If you've been struggling and are thinking about closing your club, read our "Insider Speaks" column on **Page #6** this month entitled, "Got to close?" But, know this too, if you are staying in business and want to grow it and make it better, CLUB INSIDER is for you! For only \$49, you can receive Online Access to 51 past editions (2005-2009) of CLUB INSIDER, plus the next 12 months' new editions. In total, that's 63 online editions... for just \$49! If you prefer printed editions, it's just \$89 for 12 editions, and you also receive a year of

Online Access. So, if you're not a CLUB INSIDER subscriber and you make your living in our industry, then you really should be. You should study our archived editions because they are full of information that will help your club business change, grow and prosper. If you think you know it all in this business, then think again... spend \$49 or \$89 and *learn what you don't know!* Visit www.clubinsideronline.com/ **subscribe** to subscribe today! And remember, we offer a 100% Money-Back Guarantee!

•IHRSA has established the **Julie Main Emerging Woman Leader Scholarship**, and it will be awarded to the winner, **KAREN JASHINSKY**, immediately before IHRSA President/CEO **JOE MOORE's State of the Industry Address on Monday, March 16th.** The new scholarship is named after one of the greatest human beings you could ever find, **JULIE MAIN.** And, as far as our industry and IHRSA are concerned, Julie has served IHRSA with more in Board tenure than anyone else in the Association's history. The roles Julie has filled at IHRSA include: Member of the Board of Directors for four years, President of the Board of Directors and Ex-officio Board Member. Julie is the co-owner and **President of The West Coast Athletic Clubs** in Santa Barbara and sets a terrific

example for all of us when it comes to hard work and dedication to her causes. She is also the **Founder of the Cancer WellFit Program**, which has enabled cancer patients to feel better about themselves and cope with cancer through exercise. She is a past recipient of IHRSA's **Dale S. Dibble Distinguished Service Award.** Congratulations to Karen Jashinsky, the first winner of the Julie Main Emerging Woman Leader Scholarship and **Founder of O2 Max Fitness** in Santa Barbara, California. And, thanks to Julie for her hard work, dedication and great service to IHRSA, and really, to all of us.

•CLUB INSIDER is also pleased to announce that this year's **DALE S. DIBBLE Distinguished Service Award** winner is **HERB LIPSMAN** of Houston, Texas. Herb is a veteran of over 30+ years in the industry and the gentleman who turned around the **Houstonian Hotel, Club and Spa.** Herb served IHRSA well as a member of the **Board of Directors** and is also the **Founder and CEO of The Health Club Company** and the **Health Clubs for Women** in Houston. As Chairman of **The Mayor's Wellness Council**, Herb was appointed by **Houston Mayor, BILL WHITE** to lead his "**Get Moving Houston**" campaign to fight the city's growing obesity problems. Herb will be honored in

San Francisco on the morning of **Wednesday, March 18th** during the IHRSA Annual Meeting. Congratulations on your IHRSA honor Herb!

•Congratulations to **ALAN DOWNEY, President; MARY SHARP, Compliance Officer** and their entire **Affiliated Acceptance Corporation Team**, as they're celebrating AAC's **20th Anniversary!** Check out the comments from Alan beginning on **Page #3.** Let me add this. Were it not for AAC and a handful of other long-time CLUB INSIDER Advertisers...including: **National Gym Supply, Sales Makers, CheckFree (now Fiserv), ABC Financial, Iron Grip Barbell Company, Visual Fitness Planner, InTek Strength, Thin&Healthy's Total Solution and Body Training Systems**, all with us for 5 or more years, I would not be writing this to you today! So, thanks to all of our advertisers over the years. And, a super special thanks to **Affiliated Acceptance**, as they have advertised in **every edition of CLUB INSIDER since June, 1994**, the first month we began selling advertising after making our debut as a 12-page subscription-only publication!

•Big news at **CheckFree Health and Fitness!** The new parent company, **Fiserv**, has changed the name of the **CheckFree Health and Fitness Division** to **Fiserv Club Solutions.** Check out the cover story article on **Page #3** and the new **Fiserv Club Solutions Ad** on **Page #5.** We wish **PETE KIGHT, CheckFree Founder and now Co-chairman of Fiserv; JIM PARKS, Vice President and General Manager; RANDY IVEY, BARRY BLEUER, SCOTT MANION** and the entire **Fiserv Club Solutions Team** continued success.

•**24 Hour Fitness** has cooked up one of the best deals I've heard of in the club membership sales business. They are now selling memberships on site in **Costco Stores!** The arrangement provides for Costco customers to be able to join right in the store at the rate of **\$299 for two years.** Reportedly, this really is working



Norm Cates

out to be incremental income that the chain would never have seen without the onsite introduction to the Costco customers, numbering in the thousands every day. Congratulations to **24 Hour Fitness CEO, CARL LIEBERT**, who's come up with a great idea in his organization!

•I learned at press time that **Titan Fitness**, headed by **JEFF SKEEN**, has bought several **Gold's Gyms** in Reno, Nevada from **BRAD KLAUS.** This expands the territories that Titan Fitness has entered, as they're also in North Carolina and Minnesota. **Congratulations to Jeff and his Titan Team.**

•"Stand by for news!" and "Now...you know the rest of the story." You know the author and speaker of those famous words, and so do I. He's the legendary **PAUL HARVEY**, lost to this **Earth** on **February 28, 2009.** May he rest in peace.

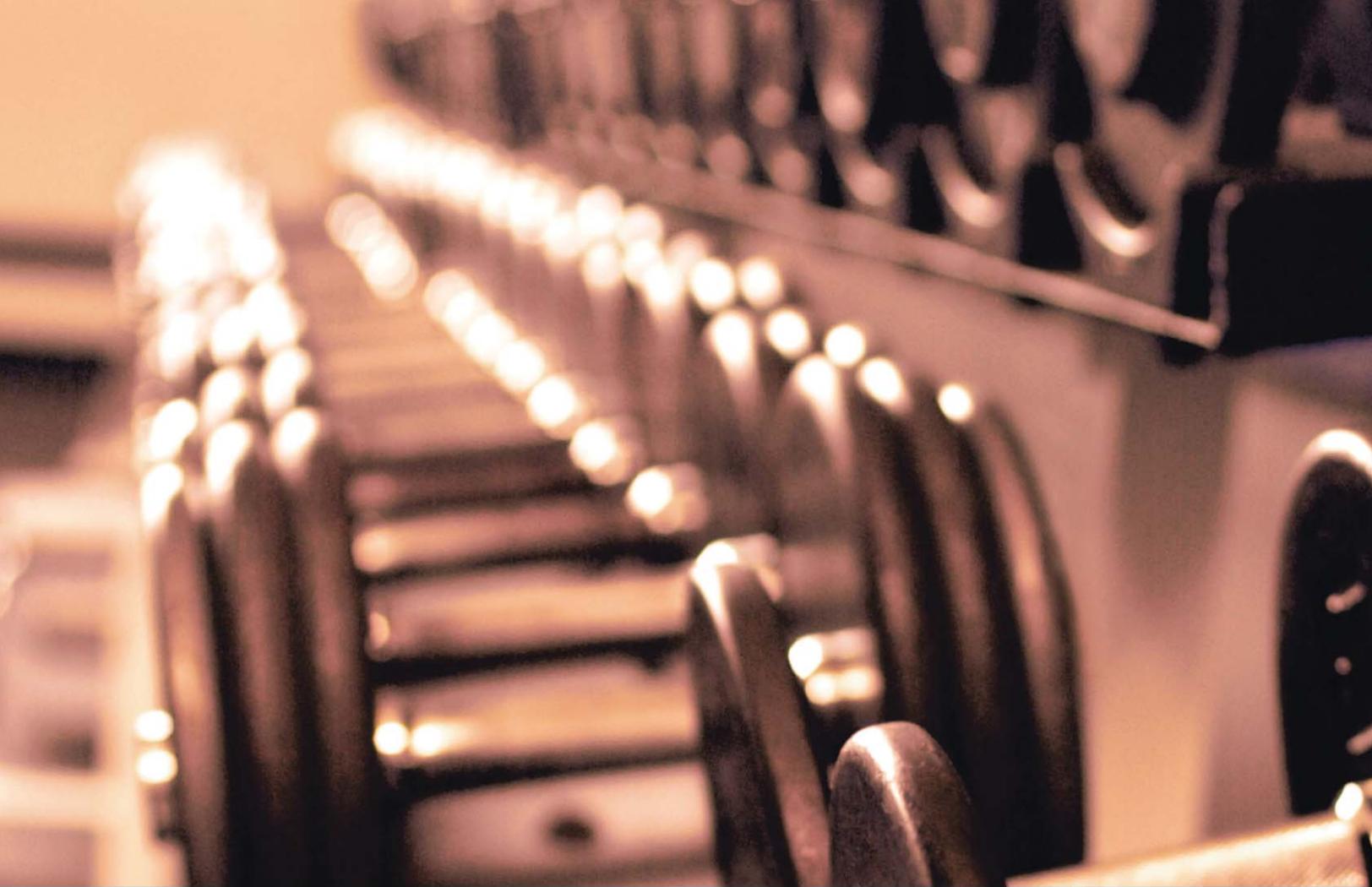
•**Western Athletic Clubs (WAC)** have taken over management and operations of the **San Francisco Tennis Club (SFTC).** Founded by **JIM GERBER**, the WAC has 30+ years of private ownership and management in the San Francisco Bay area, and their lineup now includes: **The San Francisco Bay Club, Golden Gateway Tennis & Swim Club and the Bay Club Financial District**, in addition to the **SFTC.** **Congratulations Jim!**

•The now alleged crook, **ROBERT ALLEN STANFORD**, who started **Stanford Financial**, (See Norm's Notes Page 8)

Thank You!

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The "INSIDER SPEAKS"

Got to Close?

Professional Standards For Closing a Club

By: Norm Cates

Publisher's Note: This article was originally published by CLUB INSIDER in March, 2005 and has been updated for publication in this month's issue.

For years, the health, racquet and sports club industry has focused on new club development. This sharp focus and the resulting efforts have resulted in there now being over 30,000 health clubs in the United States! But now, due to America's tough economic times, that number is a moving target... principally leveling off.

The sad and unfortunate reality is that our industry, even in good economic times, must face some club closings as part of the business. However, in contrast to many other industries that might have business closings, our industry has a high risk of industry-damaging bad publicity when someone closes his health club(s) the *wrong* way (that is, without proper planning, preparation and follow-through).

That is correct; there is a *right* way to close a club and a *wrong* way. To help protect

you, your family and the health club industry as a whole, this article containing, *Professional Standards for Closing a Club*, has been produced. Make no mistake about it, if you must, *how* you go about closing your club will impact the rest of your life... one way or another.

No one knows how many or what percentage of the 30,000 clubs in the United States will close this year, next year or the year after that, but for purposes of this writing, let's be optimistic and use 5% as an example. In this scenario, there would be 1,500 club closings, and they would *have the potential* to damage our wonderful industry's vastly forward-moving progress and ongoing efforts to professionalize the health club business. Think of it like this...

For this example, let's say that, of the 1,500 club closings, we get lucky and 1,000 of them are closed the *right* way. That would still leave 500 club closings that *can* and *will* damage the reputation for the remaining clubs. Imagine 500 club closings in one year where the bad press from them hits TV stations, newspapers, talk radio, the

internet and the word-of-mouth circuit in high volumes. Plain and simple, that would not be good for our industry.

We have an opportunity, however, to make a move against this threat to our great industry. The Professional Standards for Closing a Club that follow will simply be a *first step* in what really should become an industry-wide effort to deal with an untouched, but surely growing industry problem. Our industry *must unite* to educate all club owners on what to do and how to do it, if they must close their club. Additionally, our industry needs to unite to provide a *protection policy for members* of clubs that must close. All health club competitors must realize the importance of putting aside all differences when a competitor down the street must close his club and work for the greater good of the industry. The importance of competitors cooperating and helping a local club owner/operator who must close his club *cannot be overemphasized*.

Before suggesting these standards, let me provide you with guidance from industry veteran and training guru, Thomas Plummer, Founder of the National Fitness Business Alliance (NFBA) and The Thomas Plummer Company. In a blog on January 21, 2009, Thomas developed questions you can ask yourself in order to help determine whether you should get out of this business or not.

A Blog by Thomas Plummer:

Signs It Might Be Time for You to Get Out and Get a Real Job!

One of the negative parts about being a consultant is that the more experience you get, the easier it is to smell death.

I think it might happen when you get to visit 500 clubs or so and realize that there just aren't that many creative ways

to build a club or anything really particularly new or innovating out there in the fitness world. Every once in awhile, I get shocked and see something fresh and effective, but mostly, it's the same things done over and over again; fields of equipment, cardio too close together, locker rooms that are never quite finished and colors picked out by blind, old Republicans (conservative to the extreme with white, beige or the occasional ugly yellow, red or cheap plastic blue).

At some point, however, you stop seeing the physical plants for what they are, and you start looking for signs that the business is making money. It gets so weird that you eventually get to the point where you can actually tell how much the club is generating and how many members it has. Businesses that are successful have a definite look that is easy to see when you get used to what you're looking for in the club.

The painful thing is that you can't hide failure. Failure stinks, and all the paint and equipment in the world won't cover the smell of a business that is failing and an owner that is scared and has given up. It's a lot like really obese people or heavy smokers who won't change; they are already dead, but they just won't lie down. They quit trying and become passive passengers in life, unable to enjoy the finer moments of a long walk, ski vacation, sex or anything else that might interfere with a destructive lifestyle.

Can you come back from the dead? It's possible, but it takes some type of life-altering circumstance to force change. In fact, if you notice, few people make any major change in their life unless they are forced to by circumstances outside of their control. The drunk quits when he ends up wrecked at the bottom, the overweight person only loses weight when his wife leaves him for someone who is willing

to walk on the beach instead of sitting in front of the idiot screen, and the failed business person will only learn business skills after he has lost one business already and is now finally open to the thought that he doesn't know everything.

Here are a few signs I've seen in the last year in clients who are near the end of their careers, whether they want to be or not. If you see yourself in here, remember that self-awareness is the first step towards changing a behavior that is killing you or your business:

•**You don't market:** You have every excuse, from too expensive to it doesn't work in my market, but there is nothing more important than chasing new leads. If you're not marketing every week of every year, and if marketing is not your full-time job, you are failing and don't even know it. Marketing is not a person or a department; it is your purpose in life if you own a small business. Any business, anywhere, can do some type of marketing each week, no matter how broke you are. Stop whining and do some door hangers if nothing else.

•**Your lack of success is someone else's fault:** The economy, your competition, the new guy your wife is dating or any other excuse is just that, an excuse to fail. It's your life, and it's your fault if it turns out like poodle crap.

•**You go home at 5:00:** This one is a major indicator of a club on the way down. If you own one club, you have to be there working where people can see you, such as selling memberships or working with your counter staff, when the majority of the members are in the club. Tony DeLeede, perhaps one of the most talented club owners in modern club history, would often just drop into a club and teach a class to get a feel of what was going on, and he had

(See *Got to Close?* Page 14)

CLUB BROKER

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How Health Club Owners Can Reject the Recession and Build a Thriving Business

By: Jim Thomas

In a time when many health clubs are struggling or even closing, and everything on television focuses on downsizing, rising costs and economic turmoil, it is hard to avoid that sinking feeling. But, as health club owners, we really have two choices: (1) We can let the negative media send us into full panic mode, or (2) We can view the economic downturn as an opportunity to increase our market share.

This is a time in the economy when fortunes can be made. While some health club owners are giving up and closing their doors, their competitors are seizing opportunities in the marketplace. Here are some thoughts on how to thrive in the health club business during tough times:

1. Keep marketing your health club... and keep marketing - Even though your first instinct may be to cut back on marketing,

promotion and advertising, this is the worst time to cut back. Health Clubs that continue marketing through a slow economy are the ones that come out ahead when everything begins to turn. Make sure you have a marketing plan of action in place and stick to it. If your current marketing and promotional efforts aren't producing results, try new strategies until they do. When done correctly, marketing is an investment that should pay for itself. Find proven strategies, and then, keep doing them.

2. Don't be afraid to discount membership fees - The harsh reality is that your members and guests are holding on to their money more tightly. The key to unlock their wallets is discounts. Re-evaluate your membership pricing strategy and offer membership discounts off your most popular memberships and health club services. This may also be a good time to lower your memberships across the board and then advertise your new,

lower prices.

3. Leverage the Internet for marketing and exposure - Are you selling memberships, gift certificates and other health club services from your website? Can you expand your sales channels by selling on eBay or other sites? Are you reaching your members and club guests with e-mail marketing? Is your website optimized for the search engines? Have you tried Ad Words? It doesn't have to cost a fortune to implement an online marketing and sales strategy for your health club. Even if you simply add gift certificate purchases to your website, you could uncover a whole new revenue stream. Seek out an online marketing expert and evaluate the opportunities.

4. Form a health club group for some possibility thinking - Get together with your key health club staff or assemble a small group of people who understand your business and brainstorm some potential opportunities.

When several people get together with a blank slate and some good energy, good things can often happen. Ask for ideas --you might be surprised by the results.

5. Tap into a new niche for your club - Is there a niche in your health club that you have been meaning to focus on? Can you uncover a new market that makes sense for your health club? Pick a new market and then develop a plan of attack.

6. Reach out to your member base - One of the most overlooked health club opportunities comes from your existing and past health club members. The fact that they have already done business with you makes it far more likely that they will do business with you in the future. Make sure you are marketing to them, reaching out and reminding them that you are there. Ask them for referrals and offer a powerful incentive, such as a cash reward or gift card for referrals when they refer guests or new members.



Jim Thomas

7. Make improvements in your health club operation - This is an ideal time to evaluate all of your health club policies and procedures. Do they make sense in this economy? Is your customer service team delivering up to your standards? Could your membership sales team benefit from some additional training? How can you help your health club perform even better? What are steps you can take to improve
(See Jim Thomas Page 14)

Fitness Fundraisers Can Drive Hundreds of Qualified Prospects Through Your Door At No Cost To You...Saving You Thousands!

If you are like most fitness facility owners and operators, you are constantly striving to increase your membership base. Unless you are in a very unique and fortunate situation where you have no need to market, you are most likely spending hundreds, maybe even thousands of dollars, on marketing media such as newspaper, direct mail, radio, television and more...all in an attempt to increase your membership. While these can be effective ways to acquire new members, using traditional marketing strategies can also be extremely expensive and only targets the 12% to 14% of a market per IHRSA statistics.

The Fitness Fundraiser program is an innovative new approach to marketing that will...

- ★ Reduce the need to market using expensive media...saving you thousands!
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...Norm's Notes

continued from page 4

started in business as a young man when he acquired a health club in Waco, Texas just two years after graduating from Baylor University. Pretty soon he had several clubs called **Total Fitness Centers** in small south Texas cities. The clubs bit the dust and went bankrupt in February, 1984 after he opened a big club in a Houston high rise and ultimately couldn't afford the rent. **GARY HAVIN**, the **Founder of Curves International**, also started in Waco, Texas and also went bankrupt, but Havin rebounded well and created the **Curves International** organization now boasting over 10,000 locations in many countries. The Stanford Financial organization, Robert

Allen Stanford and a small group of family and friends have reached mini-Bernard Madoff status. That's because Stanford and company have allegedly "made off" (pardon the pun) with reportedly **\$8 billion** from trusting people across the country.

According to the charges filed by the Federal Government on February 17, 2009, "mini-Madoff" Stanford sold Certificates of Deposits promising outlandish interest rates and safe keeping of the money. Apparently, the safe keeping of the funds really was dedicated to the Stanford's living of a lavish lifestyle with properties in the Caribbean and Venezuela and flying around on jets, according to a recent TV news report. So far, Stanford has gotten by paying two \$50,000 fines a couple of years ago. The

comeback should not have been surprising. Industry veteran, **ROYLE BERRY**, tells me that his first job working in the health club industry was as an employee of Stanford, whom he'd worked for six years managing the Austin, Texas facility. Berry was quoted in a **Business Week Magazine** interview that he knew the bankruptcy wouldn't slow down his former boss. Berry said, "He was quite charismatic and was able to win everybody over." Reportedly, Berry had to place a lien on Stanford's house to collect on a court judgment he won during the bankruptcy proceeding. Berry continued, "He was an incredible salesman and loved you as long as you were making money for him." With time, Berry knew Stanford would find another business endeavor and ingratiate himself with a new crowd of loyalists. And, according to the rest of the Business Week report, he did, and \$8 billion later, we know the 'rest of the story.' Stay Tuned!

• **RICK CARO's 13th Annual IHRSA Financial Panel** will happen on **Wednesday, March 18th at 11AM**. Check out the press release on **Page #10**.

• **JOHN McCARTHY, PAT LAUS, KEVIN McHUGH** and many others in our industry have totally dedicated themselves to the fight against ALS working

with **AUGIE** and **LYNNE NIETO**. That's why you should visit www.clubsforthechance.com to find out how you can involve your club for **just one hour on one day with one event to help defeat ALS**. Also, if you're in San Francisco at **IHRSA 2009**, please attend the **4th Annual Bash to Defeat ALS** on the evening of **Wednesday, March 18th**. See you there!

• The **Houstonian** has announced that **SHANNON BILLE** (See **Photo Right**) has been appointed as its new Fitness Director. Congratulations Shannon!

• **Nautilus** has recalled **78,000 Bowflex machines** due to faulty parts that are causing injuries. If you know anybody that owns one, be sure to tell them to contact the company to find out what to do. This brings to mind one of my all time greatest peevies in this industry. Every time I see a Bowflex TV infomercial, it bothers me to hear them say things that disparage buying membership in health clubs while touting Bowflex as the solution for all people. Then, you and I see them at IHRSA and other trade show smiling and trying to sell you their equipment. Well, the next time you talk to a Nautilus representative, ask him "When is Nautilus going to quit running those Bowflex commercials telling prospective customers



Shannon Bille

they don't need a health club membership?"

• Our **January, 2009 CLUB INSIDER** Cover Story Subject, **BRIAN EVANS**, the Founder and owner of Richmond, Virginia's **American Family Fitness Center** chain continues his community giving. This time, **AFF** donated **\$25,000** to send eight athletes and two coaches to the **Special Olympics World Winter Games** in Boise, Idaho as part of **Team USA** last month. Congratulations to the athletes, coaches and the **AAF Team** on their success at the games!

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Norm Cates'
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(Norm Cates, Jr. is a 35-year veteran of the health, racquet and sportsclub industry. Cates was the Founder and is now in his 16th year as the Publisher of CLUB INSIDER. He was IHRSA's 1st President, and a Co-founder of the Association with Rick Caro and five others, in 1981. In March, 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, IHRSA's highest honor. Cates may be reached by phone at: 770-850-8506 or email at: Norm@clubinsideronline.com)

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...Gold's Gym

continued from page 3

Gym's new concept developments.

Additionally, James Weaver provided CLUB INSIDER with an update of GGI events in the first 100 days of his role as CEO, and a summary of those comments appear in the Sidebar on Page #12.

New Gold's Gym Concept To Focus On Existing Franchise Group

In a February 26th phone interview, James Weaver commented, "Norm, we talked about growing our franchise business, and the main purpose of this conversation is to talk about our new concept gym. I've only been here 100 days or so, but looking back and talking to people, this is probably the most exciting thing that Gold's has announced in a long time. The new concept gym is good for our current franchisees because it offers them the opportunity to better penetrate the markets they're in, and as some of our franchisees like to say, 'to dominate the markets.' But, it also offers ease of entry for new



Joel Tallman

franchisees because the overall capital investment is much less and the time of entry is more like 90 to 120 days as opposed to 18 months to two years. This new concept gym has been really exciting for us.

Our domestic and international franchise group will be a major focus for current and future franchise growth plans for our company. We're putting a heavy focus on growth into our franchise community. We're projecting to double our worldwide number of gyms in the next 3 to 5 years.

Last week, we had the opportunity to visit with almost all of our vendor partners, and I



James Weaver

had the opportunity to share our vision and direction with them. We received a very positive response from them as we talked about our future growth plans. These partners are critical to our future successes, and we're excited about these vendor relationships. We value them tremendously. We've forecasted a substantial revenue and earnings increase for 2009. I realize we're only 7 weeks into the year, but we're well ahead of our plan right now. Things are really clicking, our membership base is growing and our profit is exceeding our expectations, so we're happy about that."



Keith Albright

GGI's New Vision Statement:

"To be the preeminent solution to the world's total health and fitness needs."

James Weaver continued, "Finally Norm, we didn't talk too much about this last time, but I want to share our new Vision Statement with you as part of this news release to you and the industry. As we chart the future direction of our company, it's critical that we have a good road map... something that directs our decisions and our path. I'm pleased to announce that we do have this new Vision Statement. As you know, we're committed to being more than just a gym. We want to continue in our dedication to having a positive impact on people around the world, and thus, I want to share with you our new, formal Vision Statement. It is: "To be the preeminent solution to the world's total health and fitness needs." We're dedicated to that. I tell our people around here that we have the opportunity

to seize the moment and grow our business, and with that growth, we will experience the dollars and cents that come with it. But more importantly, I tell them we have an obligation --as individuals and collectively as the most powerful brand in the industry-- to make an impact on the lives of people around the world through health and fitness."

In an interview conducted with Joel Tallman, he had this to say, "Norm, first a little background. I started as a Gold Gym franchisee in 2000 and came to work for corporate shortly thereafter. So, I've been through a lot of change and seen a lot of different periods with this brand. James is really allowing us to make a dramatic shift in the positioning of our franchisees in our value system. We've just completely shifted to customer focus and customer awareness. So, what we're going to talk about today in terms of concept gyms are really just what our customers have asked us for. Over the years we've had them ask us for smaller gym concepts. They've talked to us about women's concepts, and they've talked to us about a variety of different concepts so they could compete in the marketplace at whatever level they need to. So, this is really the first answer to what they've asked us for.

We expect that within that toolbox there will be several different tools; different concepts that we're working with the franchisees on. One of the things about this concept is the very transparent process. We started with committees in the (See Gold's Gym Page 12)

Rick Caro's 13th Annual IHRSA Financial Panel Convenes in San Francisco on March 18th at 11 AM

The 13th Annual IHRSA Financial Panel, which is moderated by Rick Caro, President of Management Vision, Inc., will be held Wednesday, March 18, 11:00am-12:30pm at the IHRSA 2009 Convention.

Given the major challenges created by the economy and the financial markets, this session is ideal for CEOs, CFOs, club owners, GMs and all who are interested in its impact on the changing health club market.

This year's Financial Panel features:

Hugh Paisley - Director of Global Consumer Products and Retail Group for UBS Investment Bank. His financial relationships with a wide variety of major club companies include 24 Hour Fitness, Equinox Fitness, Fitness First (UK), Gold's Gym

International, LifeTime Fitness, and Virgin Active, in addition to Weight Watchers.

Ed Moss - Managing Director of Lincolnshire Management, Inc., a private equity firm focusing on middle market companies. It has been involved in the sports equipment industries and bought the Alaska Clubs.

Chris Gagnon - Managing Director of Global Leisure Capital Partners, an international mergers & acquisitions and investment firm. Global Leisure Capital Partners arranged the financing and co-invested in the acquisition of Fitness First (with clubs in Europe, Asia and Australia) by BC partners.

Peter Rottier - Vice President of Summit Partners, a private equity and venture capital firm with



Rick Caro

investments in a wide variety of industries. It owns a significant stake in SNAP Fitness.

A "Q & A Session" will be included as these panelists provide their independent perspective on both specific club companies and the industry as a whole.



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...Gold's Gym

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construction area to talk to our franchisees who are building gyms every single day. What are they looking for from the construction standpoint? So, we went through that, and in the new concept gyms, we will actually act as the General Contractor and build these gyms through our offices in Dallas using our design and construction company. We know the financing challenges franchisees face, we know what the environment is out there, and we are looking at some very creative relationships with financing to provide the funding they need on these projects at very favorable rates because we will be utilizing the vendor partners that are chosen for this to really help support the financing process. So, they will go right through financing to real estate. We've retained what we think to be some of the best people in the industry to help locate real estate and negotiate those leases as they need to be negotiated for a health club facility. Then, they move right into design and construction, which is in-house. So, we will take them through and manage that process for them.

The newest concept is an 8,500 square-foot base-box model where all of the design and all of the construction is pre-determined. The equipment package will also be pre-packaged. The 8,500 square-foot box will have a programmable circuit of selectorized equipment, cabled equipment, cardio center, full free-weight room and locker rooms. It all has a very nice look to it. The design is an executive look, a nice standard club for us featuring a lot of wood, stainless steel and a lot of glass glazing. We wanted to create something that had some real flexibility and could be used in many different applications. Some will see this as their primary gym. Some will see it as a satellite location off of their current gym, and others will see it as a lower price entry into the market. Some will see it as a very urban gym, as it will have that type of feel and flexibility. Along with the 8,500 square-foot base-box, we have nine "add-ons." Based on their space, they can add a cardio cinema, a childcare center, a cycling studio, sun tanning, a juice bar or any combination to fit the space they have. Most importantly, we've

created some favorable economics for our existing franchisees to put these concept gyms into their existing territory. This will give them more value to the existing franchise agreement from an economic standpoint while also allowing them to better compete in their marketplace, whether they are using it as a satellite location off of a big gym or whatever the business application is. We've really answered the cry

of the franchising world today. It's not easy to get financing. It's not easy to find real estate and put everything together on the big, multi-million dollar boxes. This is going to give us a franchise tool that we really didn't have before. It is going to lower the barrier of entry, and therefore, open up the market to people that are interested in the fitness sector.

All in all, for the 8,500 square-foot model, it will

cost around \$550,000 before equipment and approximately \$300,000 for the build out."

In terms of financing, Keith Albright had this to say, "Let me speak to that in general terms, Norm. We've looked at a lot of different financing alternatives that involve equipment vendors and they say, 'If you'll totally stock this gym with our equipment, we will provide the financing.' I can't

really tell you the details right now, but it's almost like a private SBA loan. We'll be releasing more details soon."

Gold's Gym International is certainly going to make the health and fitness center business more interesting and competitive with the addition of its new concept gym models. Stay tuned as GGI progresses, and we check in with the management team for periodical updates.

Gold's Gym International Update Comments From New GGI CEO, James Weaver

Norm, I've taken the opportunity to gather some thoughts going back to the interview we had with you last month and the initiatives we discussed at that time. So, I thought it would be a good idea to provide you with an update on those items. And, as I mentioned earlier, there is a whole new energy going on. We call it a new day, a new direction, a new vision. Our entire community is excited; our employees, our vendors, our franchisees and our members. It's an exciting time at Gold's, so we thank you for showing interest in our company and reporting what's going on. Let me give you an update on the things we talked about last time.

First, it was extremely important for us to establish the right culture for our company and our employees, and I'm really pleased to announce that we've made tremendous progress in this area. We've created a new culture focused upon excellent customer service for all of our customers. That was the first and foremost thing. We wanted to make sure that we're servicing our customers properly.

Secondly, we're holding ourselves to a new standard of performance. We call it, "Excellence In All Things." There's just simply no room in this organization for mediocre performances or mediocre results. So, we're demanding of ourselves excellence in all things. We've established a new set of core values and guiding principles that we use to guide us as we make our decisions every day, and those are: honesty, character and integrity. It's so easy to be consistent when you keep honesty, character and integrity at the forefront, so getting our culture set right has been our focus. We're doing a lot of other things, but unless we get our people thinking and acting and doing the right things, then everything else would be wasted. These were our first initiatives.

Also, we've completed our GGI organizational restructuring program I had spoken with you about. We did this to more effectively and efficiently serve our member base. Today, it is a much flatter organization than it was, and it allows us to get closer to our customers and better service their needs. We're very excited about how this restructuring has taken place.

Next, one of the major activities that happened during the same time was to reengage our franchise community and do so in an effort to leverage their knowledge, their experience and their strengths to effectively strengthen our brand and to significantly grow our presence in the fitness industry. Norm, I've personally had the opportunity to get out in the field and meet with about 30 to 35% of our franchisees. I will meet the rest of them in the next four to five weeks. I'll meet a lot of them at IHRSA, but Joel and I have an extended trip that we'll be taking to the West Coast to meet some of the guys on their home turf.

I mentioned growth, so Keith Albright has some updates on that.

Comments From Keith Albright

James mentioned that we plan to double our total franchise count in the next 3 to 5 years. A lot of those will come from our Master Franchisees worldwide. So, we're excited to announce that our Master Franchisee in India has renewed their agreement for 20 more years on their 28 locations. Additionally, we have had continued growth in Canada, our Master Franchisee in Sweden has recently converted five Brand X gyms to Gold's, and we just had a Grand Opening in Madrid; that group is opening one soon in Warsaw, Poland. We're just seeing a really positive growth pattern throughout most of our Master Franchisees, and of course, we're still selling franchise agreements in the United States for traditional Gold's Gyms. Our January numbers were good, and February results come in tomorrow. We're still growing, and we're holding up pretty good.

James Weaver closed with, "I told our entire company the other day that, every morning when we wake up, we should realize we're blessed to have a job. Not only do we have a job, but we're blessed to have a job with Gold's Gym International, the most recognized company in the industry. And finally, we're blessed to be part of a holding company that's financially strong. We're all impacted by the economy, but we're all blessed for what we have."

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continued from page 3

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to improve, and we welcome any and all suggestions and comments to help us help your business succeed for years to come.

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Best Regards,

Alan Downey
President
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Affiliated Acceptance Corporation President, Alan Downey

...Jim Thomas

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member loyalty? Look at your health club through a magnifying glass and seize the opportunity to improve it across the board.

8. Survey your members - A lot can be uncovered by reaching out to your members and asking them for feedback. Develop a short list of questions that include ratings of your health club, services and staff. Ask specific

questions such as, "How can we improve your experience with us?" Once you receive the survey results, evaluate them and take action to make improvements. Let your members know that you heard them and share what improvements you are making in your health club as a result of their survey responses.

9. Keep an eye on capital - What goes down must come up. The economy will rebound, though it may be awhile. If sales are slower

than usual, formulate a plan for getting through this period. You might need to open a line of credit, visit your bank and apply for a loan, seek private funding or even bring in a partner. Running out of capital can quickly kill a health club. Make sure you assess how much you may need before you need it and have a plan for forging ahead. Investigate bartering.

10. Get some help and keep your eye on the ultimate goal - Now is a great time to

sharpen your own skills. Take some classes, read some books and network with others in the health club industry so you can learn from them. Get involved with IHRSA and other groups and make sure you are on top of your game. Look for joint venture opportunities. Make yourself more efficient by outsourcing services that consume your valuable time. Also, determine your priorities. Where should you be spending your time? What can you do to make your

health club bigger, better and stronger? Leave the worrying to your competitors, and instead, seek out opportunities with your health club. **Stay positive.** When you put the right energy and focus into your health club, despite the economy, the results can be extraordinary.

Now, let's go build a thriving health club.

(Jim Thomas may be reached at jthomas@fmconsulting.net)

...Got to Close?

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25 clubs at the time. The 5:00 owners are the ones who believe that being busy means something. It does. It means you're busy. But, it does not mean you're effective. Busy is busy, but it isn't always effective. Is what you're doing now, at this moment, making money for your business? If not, don't do it. Only do the things that make your business grow.

•You're training clients: Training clients is the least effective thing you can do in your business, even if you own a personal training business. Sell memberships, speak to business groups, teach a group exercise class once a week or so (touch bigger numbers) or hand out flyers. All of these money-producing things are more important in your business and more effective at generating money than training a member one-on-one. No, you can't keep that favorite member you love to train three mornings a week, because then, you want to go home early because you feel you've been there all day.

•You own a club, or a small chain, and you haven't sold

a membership yourself in months: You have to sell memberships to stay in touch with your potential clients. The look on their face when you show them around, the questions they raise about your business offerings or the concerns they express about your competition are things you need to hear personally to keep in the game. Name anything you do, or think you do, that is more important than generating new income for your business. You can't teach it if you don't know how to do it.

•You don't know your numbers: How many tours last month? What is the closing percentage for your team and for each individual salesperson? How many check-ins do you average on a Monday? It's the 15th of the month, how much do you need to average per day for the rest of the month to be profitable for that month? If you don't know your numbers, you are not involved in your business, and you will die a painful and ugly business death.

•You micromanage: You don't train people well and don't have systems in place, both of which take work, so you just hang around the club irritating

the staff and getting in the way. Micromanaging is often a sign that you are a situational manager, meaning nothing is written down and you just make stuff up as you go along driving your good staff away and making the dummies that stay worthless. Involved owners build systems and teach from those systems. They have procedure manuals, training courses, customer service, sales training and everything else a small business needs to be healthy. If you don't have systems, you are simply making up nonsense as you go along.

-Thomas Plummer

Now that Thomas Plummer has given you a candid barometer to gauge whether or not you should personally attempt to go on with your business, you now have the information you need to consider the potential survival of your club. The *bottom line and real truth* of Plummer's blog is this: *If your heart is not in the business... you really should remove your mind and your body from it.*

The Wisdom of Closing a Club the Right Way

Now, let's talk about the

important moves you should make once you decide to close your club(s). **CLUB INSIDER** believes that all club owners should adopt a **We're All In This Together** attitude and mindset when a competitor's club is going out of business. This means that, if you are closing your club, you need to put together a team of local club owners to help you do it the *right* way. By finding and working with local competitors to absorb *all* of the members from the closing club(s), many important, good things will happen:

1. The cooperating club(s)' membership base will grow by accepting both the monthly dues payers and prepaid members alike.

2. The cooperating club(s)' membership base will grow due to positive word-of-mouth referrals because the *adopted members* will appreciate the fact that local club owners have teamed up to keep their investment in the closing club alive, and they will *tell their friends*.

3. This team effort by competing club owners will help keep those members from the closing club(s) in local commercial health clubs, not YMCA's or other places that

are in competition with local commercial club operators. This collective and cooperative *alliance mindset* will help protect and advance our industry more than any of us can realize.

Additionally, successfully closing a club the *right* way will:

1. Give you and your family very valuable and priceless peace of mind.

2. Help protect your personal credit.

3. Protect your personal community reputation and standing as you move on to other ways of making a living.

4. Help protect the reputation and future of an industry that you love, or at least, have loved in the past.

Credit to Julia Wheatley

I would like to give credit to Julia Wheatley, a former 9-year owner of a women's only health club in Harrisburg, Virginia, for a job extremely well done. A few years ago, Julia came to the reality that she simply had to close her club. However, the steps she took after that tough decision were professionally
(See Got to Close? Page 16)



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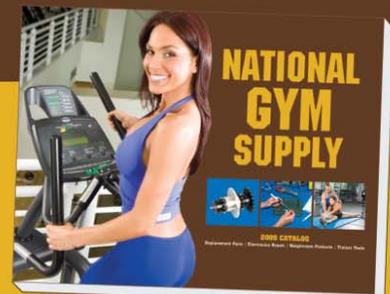
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...Got to Close?

continued from page 14

planned and very well executed. In fact, we published an article that openly shared the "good, the bad and the ugly" in Julia's own words. She opened her heart to our readers, and Julia's effort planted the seed in my mind that this article and the Standards stated below should be produced and put into use throughout the industry. This task is simply too important to all of you, your families and our industry; it cannot be ignored any longer.

A Comment on These Professional Standards

The following Standards, if carefully studied, planned and executed, can mean a lot to you and your family for the rest of your lives. While reading, I also want all of you to realize that these Standards may not be perfect! But, they are better than anything else I am aware of that has been produced. I welcome and encourage any and all of your comments and suggestions with respect to this topic.

Do all of us have a stake in this? You bet. Can we all benefit from the reduction of bad publicity and public relations from club closings gone wrong? I sure think so.

Thanks to Thomas Plummer, for his honest and open blog, and to Julia Wheatley, for her assistance in producing the original article. I wish the best of luck to any of you that must make this very tough decision to close your club, but be prepared. It can be tough as hell, but if you use these standards as a guide, keep your head up and maintain a smile on your face, you, your family, your members and your staff will all get through it! You will have also taken a HUGE step toward helping protect our great industry.

(Norm Cates, Jr. is a 35-year veteran of the health, racquet and sportsclub industry. Cates was the Founder and is now in his 16th year as the Publisher of CLUB INSIDER. He was IHRSA's 1st President, and a Co-founder of the Association with Rick Caro and five others, in 1981. In March, 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, IHRSA's highest honor. Cates may be reached by phone at: 770-850-8506 or email at: Norm@clubinsideronline.com)

Professional Standards for Closing a Club

1. Your family, your members, your staff, your investors, your community and the health club industry all deserve a professionally-planned and executed club closing.
2. **Time Is Of The Essence!** And, many parties must, in a timely manner, be contacted to produce a professional closing.
3. *Selling your club or merging your membership* with one of your competitor's clubs is far better than having to outright close it with your members having no place to go. On this item, please note that Dean Kachel, our October, 2004 cover story subject, who celebrated the 25th Anniversary of his Quadrangle Athletic in October 2004, is an expert in this area. For more than 25 years, Kachel had been a market survivor by merging with or acquiring memberships from 12 different competing clubs that closed during his long run in the Coral Springs, Florida area.
4. Real estate tenant laws, with respect to eviction, and/or State laws governing property and building foreclosures could very well play into what you may be able to do. Seek legal counsel early from an attorney whose specialty is real estate law. Additionally, seek similar counseling from a specialty lawyer in the bankruptcy field as there very well could be a chance where you could work your way out of the fix you're in by filing the appropriate bankruptcy while continuing club operations.
5. If all of the above fails, you should follow these standards and execute them carefully, step by step. Your plan should have one goal; fair treatment for everyone and the delivery of a closing that, in the end, is free of negative TV, newspaper, talk radio and adverse community word-of-mouth communication.
6. If and when you've exhausted all efforts to *save, sell or merge* your club, and once you have made a *definite decision* that you must close your club, *the real work begins*. Your first step after your final decision is made should be to write a notification of closing letter on your club letterhead, and send it to the *Attorney General's Office* and your state's *Office of Consumer Affairs*. Make it a brief, 3-paragraph letter stating who you are, when you must close your club and that you will be in close touch with them. It is very important that you stay in touch with these folks because they can make your life miserable if you get on their wrong side. Don't forget that your State's Office of the Attorney General, Office of Consumer Affairs and your vendors can all be allies in a professional club closing.
7. If your club is bonded, write a letter to your bonding company weeks in advance stating that you must close on a date to be determined. Ask for their policies and instructions on when and how to go about applying for the bond release to provide whatever your bond is for refunds. Importantly, if you have been selling prepaid memberships, you must carefully plan your bond-funded refunds, and you must plan to distribute those funds on a prorated basis to the members that still have prepaid time. **STOP SELLING PREPAID MEMBERSHIPS or ACCEPTING ENROLLMENT FEES** the day you conclude you must close your club. Remember, you may be able to make arrangements with competing clubs to take on all monthly and prepaid memberships, and this could reduce or eliminate your need to pursue the bonded refunds.
8. Once you have determined all of your rights by law, exhausted your efforts to sell or merge your club, and your remaining resources have been carefully studied, you must make the tough decision about when you plan to close your club. It is highly recommend that, if your resources and your club rent or property ownership circumstances will allow, make your announcement at least **TWO MONTHS** in advance of closing. In Julia Wheatley's case, she sent her letter to her members seven weeks before her closing date.
9. Once you've picked your *planned closing date*, you should not try to keep it a secret. You should first inform your family. If they work in the business with you, and they do not already know, inform them confidentially and explain the importance of their silence while you complete and execute your plan. You should draft a brief letter to your staff and call a mandatory meeting of all staff. Hold the meeting and disclose the news to them all at one time (A few days before your announcement meeting is held, create a list of projected Frequently Asked Questions (FAQs) and your answers). Give your letter and FAQ Sheet to your staff at the beginning of the staff meeting, and let your staff read it before you speak. Then, immediately open the meeting for their questions and be patient and caring when responding. Do not let anyone leave the room until all questions have been answered. You should then walk out of the meeting, before any of your staff, place a stack of the brief announcement letters and FAQs on the front desk, and post it on all of your bulletin boards and other areas where the letter will be seen. Then, leave the club briefly and go to your closest U.S. Post Office and personally mail the same letter and FAQ Sheet to everybody on your membership roster. You should also write a letter of notification to all vendors.
10. During the days after your staff meeting and announcement to your members, you should go to your club every day, remain visible, remain upbeat, maintain a smile on your face and be as friendly as you can with all of your members and staff with whom you have contact. Your strength and leadership during this period will assist your staff with their tough, day-in and day-out dealings with your members and others before the club closing date.



SAVING THE WORLD

ONE HEALTH CLUB AT A TIME

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YOUR COMPETITION

SOCK!

YOUR MARKETING MISTAKES

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...The Question

continued from page 3

Huckabee said, "If we don't address this very aggressively and quickly, 10 years from now we will be spending more than 20% of the U.S. gross domestic product on health care. We currently spend almost 17%. That's more than any nation on earth. Most nations spend no more than 9.5%. Switzerland spends 10.5%, and that is the next one closest to us.

So, the first thing we will see in 10 years is a virtual economic collapse because we simply won't be able to keep up with a health care system that is growing at twice the rate of inflation. The second thing we will have in 10 years is a work force that is too sick to give a full day's work. Harvard University has come up with a new term called 'presenteeism.' We've often heard of absenteeism where people are too sick to show up for work. There's a new issue now. People show up, but because they feel so poorly, as a result of their being obese and having chronic disease(s), they are losing up to 60% of their productivity. 60%!"

This is a true challenge for America. This author believes that our industry is destined to make a true difference in the future of America by stepping up to meet and defeat this challenge. I believe our industry can be instrumental in the fight to defeat the American obesity pandemic.

In the past 28 years, since the advent of IHSA, our industry has made a progressive difference in America with membership numbers rising from uncharted in 1981 to a peak of 43.5 million in 2006. But, we're not there yet. Our industry is far, far from being truly relevant in America, and my vision is for this wonderful industry to become truly relevant.

I believe we must reach at least 30% penetration of the U.S. population as members and regular users of commercial health and fitness clubs. With our current population at a little over 300 million, that would mean 90 million health club members, more than double the 41.5 million we have now (latest available figure).

Folks, we have a truly long row to hoe in front of us. However, in 28 more years, I expect and hope to be sitting here writing a congratulating article to you for this "Insider Speaks" editorial, because by

then, I believe we can be at 30% penetration.

However, before we can reach that milestone, we must earn the **TRUST** of America. That statement triggers the "Question of the Century" for our industry. That very important question is, "How are we going to *build relationships* with the 260 million U.S. Americans who do not currently do business with our industry... *before* we attempt to sell them a membership?" Another way of asking the same question is, "How are we going to build **TRUST** in the minds of millions and millions of Americans so that, someday, they will actually come to our clubs, take a tour and then become customers of our industry?"

In an attempt to answer this sweeping question, originally posed by yours truly to Rick Caro's Panel of industry luminaries in Chicago at Club Industry last fall, **CLUB INSIDER** has been conducting a contest to generate ideas on how to achieve the answer to this "Question of the Century."

At this point, **CLUB INSIDER** can safely say that nobody has the *only answer* to this question and the *true answer* will be *many answers*. But, several entries for our contest clearly have merit, and we share them here with you today in the order we received them. Our thanks to all who submitted entries, and at this point, **CLUB INSIDER** declares this contest a tie!

1. Submitted by Ms. Anne Tiesenga of DMX:

Dear Mr. Cates,

I read with great interest your November, 2008 **CLUB INSIDER** article on Rick Caro's Club Industry Panel, "Fitness Industry at a Crossroad: How to Hold On in Today's Economy and Prosper in the Future."

In your article, you quite incisively outlined the following challenge to your industry:

"The fitness club industry only has a 14% penetration rate of the U.S. population as members of commercial clubs/fitness centers. What are you doing to establish outside-the-box relationships with non-members? Do you have programs that are intended to sell a relationship with your club before you even try to sell a membership? What programs do you have that reach out to the 86% of the U.S. population that

are not members of our clubs and are not doing business with our industry in a way that does not require those people to visit your club first?"

Your question is right on target, and your challenge to provide the best idea filled me with excitement! I hope you'll consider my submission to your contest for the best program idea to meet this challenge, as I feel my idea could truly help your industry. So, here goes...

In my work at DMX, consulting with major national brands to drive their business through captivating customer experiences, I have never seen anything more powerful than mobile marketing to deliver results. I suggest to the health club industry that now is the time to implement a mobile marketing program to specifically reach consumers most likely to become members.

Why Mobile Marketing?

If you had a cost-effective way to reach and develop a *relationship* with 72% of the U.S. population, would you take the time to investigate it? What if you could create an innovative brand experience that targets them specifically and locally?

To be relevant, engaging and effective, you must position your brand *within* the lifestyle of your customer. Technology creates not only an opportunity, but increasingly, consumers have an expectation of more sophisticated interactions.

What 40% of global brands have discovered is the power of mobile marketing (texting!) to connect with customers --wherever and whenever-- create demand and drive traffic.

Who, exactly, are they reaching? According to a report published November 24, 2008 by

Scarborough Research, mobile message marketing delivers a "coveted young, multicultural demographic" that is an "active, on-the-go consumer."

Consider the facts Scarborough Research uncovered, and how they relate to the health club industry:

- 72% of the U.S. Population are cellular phone subscribers.
- 48% of cellular subscribers are "Texters" --they use the text messaging feature on their phone.
- Texters are 49% more likely than all cellular subscribers to be ages 18-24.
- Texters are 37% more likely to have played basketball during the past year.
- Texters are 29% more likely to have gone jogging/running or played tennis.
- Texters are 23% more likely to have practiced yoga.
- 20% of Texters spend more than \$1,000 online annually.

Mobile marketing is effective and cost-efficient when driving loyalty, incentive and promotion programs. Consider that mobile coupons have a redemption rate that is 20 times that of paper. That's 20 times more prospects showing up at your club!

Paper coupons can cost \$0.25 - \$0.40 to print and mail and have an average redemption rate of 1%; *that's an acquisition cost of \$25 to \$40.*

Mobile coupons cost \$0.20 or less to send and have an average redemption rate from 20% to 70%; *that's an acquisition cost of \$1 to \$0.28 or less.*

Gary Meo, senior vice president of digital media services for Scarborough Research said it best, "Text messaging could be largely disproportionately

appealing to marketers because it delivers a young, multicultural audience. Additionally, texts can provide a very locally-targeted vehicle for marketers wanting to reach people in the right place at the right time, ready to make a purchase."

How much is the fitness club industry currently spending to reach prospective members and get them in the door of the club, and how effective are those strategies? In this uniquely challenging economic environment, it is more important than ever to differentiate your club brand in the marketplace and capture market share.

Mobile marketing programs provide the vehicle to create a relevant, targeted brand experience --an interaction-- with a prospective club member before they come through the door. Further, these programs are simple and inexpensive to create and implement. Low investment, high return, great market opportunity, targeted demographics, great timing... I think it's a perfect "fit" for your industry.

I hope you'll consider this idea, and I hope to win your contest, as I'd love to help the fitness club industry prosper and find opportunity in these unprecedented times.

Remember... average companies sell products/services, *unforgettable companies sell experiences!*

Kind Regards,

Anne Tiesenga
Premier Account Executive
DMX

2. Submitted by Ms. Kari Bedgood of Club One:
(See The Question Page 20)

...Club Solutions

continued from page 3

operational, financial and membership management needs of the health and fitness industry. Club Solutions provides thousands of facilities worldwide with club management software, transaction processing and outsourced member billing and data management. The complete suite of solutions offered by Club Solutions enables clubs of all sizes to grow and retain membership while maximizing revenue and minimizing day-to-day costs.

"CheckFree Health and

Fitness has a long history of providing services to the health and fitness club industry. Offering secure, high-quality club management software and payment processing services at competitive prices, our solutions complement the Fiserv solutions that the financial services industry trusts," said Jim Parks, vice president and general manager of Club Solutions, Fiserv. "We are proud of our strong history and are excited about the opportunity to bring our respected reputation with us as we move to the Fiserv brand. This is a great opportunity for us to offer our clients the innovative products they've come

to expect, with the strength of a Fortune 500 company."

"We are focusing all of our technology expertise under one brand and one name, Fiserv. The financial landscape has changed forever for our clients, and we are prepared with innovative products and technologies to lead the transformation forward. This new brand strategy will allow Fiserv to build on our 25-year history of unparalleled client focus, strength and stability, and make it easier and even more rewarding to do business with our company," said Yabuki.

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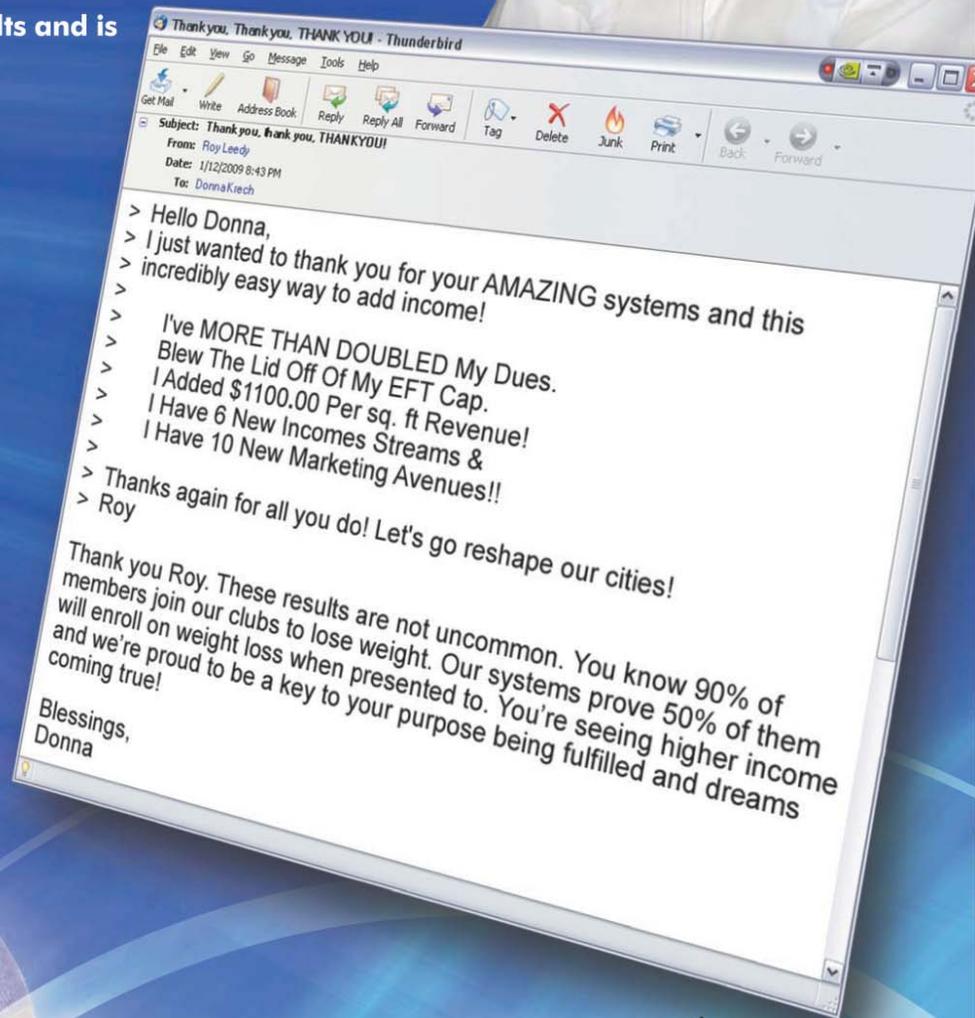
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...The Question

continued from page 18

Hi Norm,

I thought you might be interested in the press release below announcing the launch of the Habit Changer, an interactive behavioral change tool that acts as a personal coach training the brain with reminders via text messaging, e-mail and online activities. Club One recently made it available to health clubs across the country looking to support members beyond their four walls. During these challenging times, it's more important than ever to create greater member connection. The Habit Changer has proven to aid in member retention and generate revenue at zero investment for participating health clubs.

As always, please don't hesitate to contact me with any questions.

Many Thanks!

Kari Bedgood
PR Manager &
Associate Marketing Manager
Club One... Where ONE is MORE!

SAN FRANCISCO, CA - December 8, 2008 - Club One, Inc., a leader for award-winning fitness and wellness solutions, announced today the release of Habit Changer®, a new service for health clubs looking to create greater member connection beyond their four walls. The Habit Changer, an interactive behavioral change program that helps members consciously choose healthier habits, was designed to engage those members that don't achieve or attain their goals at the club. Based on the principle that repeated message exposure delivered through different media helps to establish habits, it provides members with constant, long-term support through text, e-mail and interactive online technology wherever they go, whether at home, work, in line at the grocery store or in between workouts.

After introducing the Habit Changer's initial programs, Losing Weight and Feeling Better, to more than 40,000 Club One Fitness and Frog's Fitness members, the interactive behavioral change program has served as a successful communication platform helping to minimize attrition and maximize retention. Less than 10% of Club One

and Frog's Fitness members who signed on to use the Habit Changer program discontinued use, and none of the users have quit their membership.

"During these challenging and uncertain times, it's been especially important to engage and empower members with positive messaging," says Bill McBride, Chief Operating Officer for Club One. "We find that the more we connect with members on a deeper, personal level, the more likely our members are to stay with us long-term, even refer friends to the club. The Habit Changer provides relevant, real communication to our members that helps support their goals in their everyday lives."

Also important to successful member communication is personalization. The Habit Changer's interactive programming allows members to customize their own messaging and will deliver their reminder via text or e-mail at the day and time specified. Reminders sent repeatedly over time to curb late-night eating, walk around the block during lunch or to reflect on the positives at the end of the day will eventually lead to adjusted behavioral patterns, even becoming habitual.

"The Habit Changer is meant to fit within a member's lifestyle," notes Larry Tobin, co-developer of the Habit Changer. "It speaks to and engages members every day, throughout the day, in a way that causes them to re-think perceptions and change habits. At the end of the day, that's what the Habit Changer is extremely good at."

The Habit Changer, a subscription-based service, is available to health club companies nationwide for zero investment and newly-generated incremental revenue. Suggested monthly subscription fees are \$15 per month following a 10-day trial period and provide club owners with a significant share of the monthly revenue. The Habit Changer's current programs are Losing Weight and Feeling Better.

To start making incremental revenue for your club and increase retention levels with the Habit Changer, please contact Tony Wills at HabitChanger@ClubOne.com.

3. Submitted by Gold's Gym International:

SAN FRANCISCO, CA - March 17, 2009 - Ubisoft

announced today that it has partnered with Gold's Gym, the world's leading authority on health and fitness, to create the video game *Gold's Gym: Cardio Workout*. Licensed by Rocket Co., Ltd., the game will be in North American stores on March 31, 2009, and it will be available exclusively for the Wii™ home video game system from Nintendo.

"We are excited to partner with Ubisoft on our first video game," commented Lisa Zoellner, Chief Marketing Officer of Gold's Gym International. "It is a natural extension of our brand and is in line with our mission to get more people around the world excited about exercise and fitness. We believe that the game will provide consumers with a workout that is both fun and rewarding."

Compatible with the Wii Balance Board™ accessory, the game provides players with a personal training experience. Players can perform a variety of exercises including cardio boxing, running, sit-ups and other activities while also tracking burned calories and body weight evolution. In addition, the game offers multiple training modes and fitness levels, and the difficulty of the gameplay evolves as the player's fitness level increases.

"As a leader in personal training, we are thrilled to collaborate with Gold's Gym on a new cardio workout game," said Tony Key, senior vice president of sales and marketing at Ubisoft. "In order to provide an authentic Gold's Gym experience, the game will incorporate gym signage and dialogue into the game."

As part of the partnership, the game will be co-marketed by Gold's Gym and Ubisoft. Each game will include a coupon for a one-week, free trial to Gold's Gym. In addition, Gold's Gym Cardio Workout will be featured throughout the Gold's Gym clubs, on the Gold's Gym website, and the game trailer will be displayed on the Gold's Gym Broadcast Network. A demo of the game will also be available at various Gold's Gym facilities.

For more information on Gold's Gym Cardio Workout, please visit www.ubi.com.

4. Submitted per request by Justin Cates of CLUB INSIDER:

Apex Fitness' bodybugg system is one that is applicable to members and nonmembers alike and truly creates a bridge for nonmembers to become members. For the purpose of answering the proposed question, I will only focus on this bridge concept.

Obesity is not a problem that happened over night. From the dawn of civilization, when man had to hunt for food and work to survive, to now, where any type of food we could want is available, and in ever-increasing quantities, the problem has developed. Today, one can easily become overweight or obese over time. It happens because one unknowingly eats too much and, though maybe not deliberately, exercises too little. bodybugg gives these blind habits a face. Through their proprietary hardware and software, a user can accurately see how what they are doing is affecting their body, not to mention health.

This is important because, once you have a baseline, you can set a goal; once you have a goal, you can draw up a plan; and once you have a plan, you can accomplish your goal. For a 100% chance of success, there is no other way around this cycle. An important element of this scenario, though, is motivation. The user must want to change, they must want to work at it, and they must know their body will only change slowly over a period of time.

One trying to lose weight can have achievable goals, an excellent plan and the best technology in the world, but without proper attitude and motivation, they will fail... Every time. Apex tackles this head-on with the "bodybugg Coach." My coach is Kim Slover, and she is a pistol!!! It doesn't matter whether it is a 15-minute check-up call or an hour-long program set-up call, she puts some zip in my step, and I learn something every time we speak.

Why is this so important? It keeps the user engaged! Through calls with their coach, they will learn they are not alone. They will learn what got them to where they are, and they will learn how easy it can be to change, if they are willing to do *small things every day*.

Most people don't become overweight or obese because they eat huge meals 4 or

5 times a day. They gain their weight because they eat too much here and there; the morning latte' after breakfast, the chips after lunch, the ice cream after dinner, and maybe something else before bed. That can add up, and unless one is blessed with an amazingly accelerated metabolism, it will negatively affect them, and with increasing intensity as they age.

This blind habit is compounded by another; not moving around or exercising enough. There is no excuse to take the escalator up a flight or two when you can take the stairs (I'll give you the elevator if you work on the 80th floor), try pacing around during a business call (It'll get your creative juices flowing) and take an evening walk with your other half (instead of only laying around talking about each other's day). These little things also add up, and if you combine them with the changes on the intake side, you will see real change, right away.

So, what does all this have to do with the nonmember? Many nonmembers don't want to be members because they are scared... They are scared of being judged, they are scared of not knowing how to work out, and they are scared of failing. The bodybugg system combats all of these problems. bodybugg coaches do not judge. Instead, they educate and motivate. Working out isn't necessarily the cure-all for the first few notches off of someone's belt. A user can lose enough weight through some of the ideas already mentioned to feel comfortable enough to try a jog without passing out or swimming with their children at the pool. And finally, they will not fail because bodybugg teaches you to achieve small victories every day. As they gained weight one day at a time, they will learn to lose it one day at a time, and a year later, they will be amazed. The motivation that spawns creates a believer for life!

Once they are comfortable enough to become a member, bodybugg can then be used to maintain their weight, gain more muscle or achieve better athletic performance. Through consultation with their bodybugg coach, they can try new things and the club and trainers at the club can help them achieve the physical side of the equation.

5. Submitted per request by Retention Management:

(See *The Question* Page 34)





Daron Allen
CEO, Visual Fitness Planner

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

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Forecast From Wall Street

Stormy Weather for the Remainder of 2009

By: Peter Moore

Five short years ago, private equity and institutional investors finally started to recognize the attractiveness of the health club business model; strong recurring revenue, attractive long-term growth prospects, impressive return on capital characteristics and the overall proliferation of health & fitness throughout the U.S. Over a dozen private equity investments were made in our sector from 2004 to 2008 at attractive valuations for owners.

In addition, the 2004 Initial Public Offering of LifeTime Fitness, Inc. was highly successful and considered a "game changer" as our sector now had a publicly-traded comparable company that everyone respected. The stock traded into the \$60+ per share range in October 2007, with a robust valuation exceeding 14.0 x Latest Twelve Months ("LTM") EBITDA. Analysts touted LifeTime as the Home Depot equivalent, a category killer. We all benefited from this market enthusiasm and started to define how our business was like LifeTime, only better; we spent less on CAPEX, we targeted secondary markets, our cost structure was lower... You name it! With a sigh of relief, we no longer had to "defend" how our business model was different from the tainted and infamous, Bally Total Fitness. Life was good.

Fast forward to March, 2009. The stock market has hit a 12-year low, the stimulus package is not yet working, investor sentiment has been shattered and investors are hammering health club stocks and any other business that is perceived to be tied to "discretionary" consumer spending. LifeTime's stock is now trading under \$8.00 per share, down over 85% from its all-time high. Town Sports International Holdings, Inc., also publicly-traded with over \$100 million in trailing EBITDA, is valued at approximately 3.5 x LTM EBITDA, and its debt trades at a 50% discount to its face value. Private equity investors remain interested in the health club industry but are cautious to invest until they can determine if the health club

industry is really "recession resistant this time around," as it has been in past years.

So, you may be asking yourself how you should think about your business valuation in light of today's market. **My recommendation:** Do not spend too much time thinking about it and try not to "mark to market" your health club company. It is currently not a fruitful exercise, and it will not put a smile on your face! However, if you are like many operators I speak to on a weekly basis, this economic disaster has actually pushed you to focus on your core business, and you are not feeling the same level of pain as the specialty retailers, restaurants or other business owners in your community. The appropriate plan for the next six months is to weather the storm, continue to aggressively sell memberships and control your attrition rates. That is what investors are laser-focused on, and you will be rewarded in the years to come on how you managed through 2009.

The two significant issues in our economy today are (1) Lack of confidence, and (2) Limited access to debt capital. Affordable debt is required for most private equity investors to achieve the return thresholds they require to attract their investment capital. Therefore, if you are seeking private equity investors, you may find they are not willing to pay high multiples for your current business if they, in turn, need to capitalize the company with too much equity (or take on expensive debt). **My recommendation:** Only do a deal if absolutely necessary for distressed reasons or if you are seeing once-in-a-lifetime real estate and growth opportunities in markets you fully understand and do not want to miss the opportunity. However, your business is NOT worth 50% less than what it was a year ago, so do not let a banker (or investor) convince you otherwise.

If you are patient and can maintain your market position and profitability, I would recommend waiting for the irrational pricing in the current markets to subside, which may take another year or more. At some point, stabilized risk/return parameters will return

to the overall market, and we will once again enter an attractive period for the health and fitness sector. We have business models that are proven, and we will continue to benefit from government- and healthcare-related support for increased exercise and preventative care.

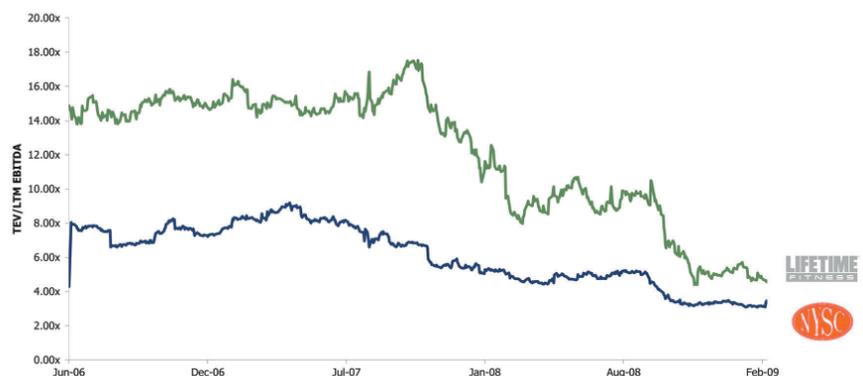
We need to view the current market conditions as hitting the "pause" button on the *remote* while allowing some of the under-performing operators to close their doors so the strong will survive and prosper long-term. Over the past five years, too many locations have opened without a clear purpose or differentiated strategy. In parallel, focus on your core operations and continue to track your club-level performance. Talk to your weaker competitors and take over their membership base when they decide to throw in the towel. Growth equity investors find strong companies and back proven management teams --strive to be one of these companies when the storm clears!

I was recently forwarded the following 1970 article from FORTUNE magazine which includes very sound advice:

NEW YORK (FORTUNE) - When FORTUNE published a picture of John Loeb, then 68, in a 1970-article called "Wall Street on the Ropes" (yes, there have been earlier periods of pain), the son of an editor regarded Loeb's imperious mien and said, "That's what people my age think all Wall Street executives look like." But, behind Loeb's hauteur were decades (including the 1930s) of business experience, much of

Trading Multiple Analysis

June 2, 2006 to Present



it spent running Wall Street firm Loeb, Rhoades & Co. Fortunately, some of the lessons John Loeb learned got set down on paper, and lately, his bullet points have been making the rounds. Here they are:

- Once in every seven to ten years, there is a period of excessive general speculation culminating in a severe panic or depression when the man who is borrowing money is at great disadvantage and he who has ready cash stands like a tower, four-square to the ill winds that blow.

- Extreme situations do not last, no matter what the apparent justification. While we may have "new eras," old laws will still operate.

- Avoid commitments, particularly of the delayed variety; they are more insidious. Also, be definite about commitments made to you by others. When the storm comes, misunderstandings are so easy and so natural.

- In both 1920 and 1929, the so-called "big fellows" in general said everything was okay. But, if the big fellows in general thought otherwise, the stage could not be set for the unexpected. Panics occur because the leaders themselves have lost their way.

- Never borrow money without continually reviewing and questioning your ability to pay it back under the worst conditions.

- People borrow money in good times and pay it back in bad times --just the opposite of what they



Peter Moore

should do.

- It's right to be an optimist, but always be prepared for the worst.

- The public is just as blind in recognizing the bottom of a depression as it is in recognizing the top of a boom. While there is no ladder that reaches to Heaven, the ladder that reaches all the way down to Hell in a country like America is just as fantastic.

- A reputation for fair and honest dealing will be your greatest asset.

- As my father used to say, "Don't forget, the soup is never eaten as hot as it is cooked."

(Pete Moore is a Principal at Sagent Advisors Inc., www.sagentadvisors.com, a New York-based investment banking boutique. He is the head of the firm's Active Lifestyle & Wellness Group. Pete is also the co-founder and Non-Executive Chairman of FitnessInsite, the leading web-based sales & marketing company in the fitness industry)



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Hope and Change

By: Shawn Vint

The Challenge

Many in the wellness industry will weather the current economic storm. Those few who recognize the thirst within their community for real change and real hope will perhaps even grow their business. These will be the leaders who understand that when uncertainty enters our world, it always does a better job of prodding people to change than the best marketing plan ever could.

Economists and social analysts are documenting this shift as well. Consider what Kevin Depew of the widely-read blog, '5 Things You Need To Know,' had to say:

"I believe a long-term con-

sequence of the secular shift in social mood against consumption will be the devaluation of "retail therapy" and the revaluation of intangibles --family, time, physical experiences-- that over-consumption suppressed."

Mr. Depew is correct; North Americans are entering into a new age which consists of living within their means, and that spells trouble for those in any industry that sell the sizzle, but falls short on the steak. In the fitness industry, this truth has a double edge. The first sharp edge will come from current members. If you aren't providing clear reasons, incentives and opportunities for why they ought to continue supporting your facility with their monthly dues in these difficult economic times,

you will quickly feel that cut.

The second sharp edge will be delivered by the communities that we serve... our prospects, if you will. This is not the era of 'build it and they will come.' Neither is the consumer in the mood for bells and whistles. They've had twenty years of bells and whistles, and guess what... they're sick of them. Instead, the individuals and families that we seek to become members of our family are themselves seeking change. They are coming out of an 'accumulate more things' mode and are rediscovering the simple pleasures in life found in family, faith, and as stated by Kevin Depew, 'physical experiences.'

The Opportunity

Long before 'hope and



Shawn Vint of Greenmaple Wellness

change' were a part of our common political vernacular, fitness clubs had been representing a more personal version of the phrase. In run-down buildings, often with less than stellar locations, and

with equipment that bears little resemblance to what you'll see at IHRSA this year, these early pioneers laid the foundation for our industry. They had much hope (See Shawn Vint Page 25)

IHRSA and USPTA Join Forces to Promote the Preventive Health Benefits of Exercise on Capitol Hill

BOSTON, MA - February 5, 2009 - The International Health, Racquet and Sportsclub Association (IHRSA), and the United States Professional Tennis Association (USPTA), the world's oldest and largest association of tennis-teaching professionals, have joined forces to promote the preventive health benefits of exercise on Capitol Hill.

The partnership aligns two major initiatives: The

USPTA's *Tennis - for the health of it!*, a campaign to make the general public aware of the tremendous health, fitness and psychological benefits of tennis and encourage people to get out and play the sport as a part of their regular fitness regimen; and IHRSA's "Vision for a Healthier America," a policy platform asserting that regular physical activity, as a core component of prevention and health promotion,

will lead to a healthier, happier and more productive America, while reining in skyrocketing health care costs.

"USPTA's *Tennis - for the health of it!* campaign presents an overwhelming case for including tennis in the kind of healthy, physically active lifestyle promoted by IHRSA's 'Vision for a Healthier America,'" said Joe Moore, President and CEO of IHRSA. "At this critical time in

our nation, as Congress debates the importance of physical activity as a core component of preventive health care, we are thrilled to join with USPTA to bring the message of *Tennis - for the health of it!* To Capitol Hill."

"Clearly, this is an ideal partnership between IHRSA's "Vision for a Healthier America" and USPTA's *Tennis - for the health of it!* and it is extremely exciting for us to be able to team

up with IHRSA on this important platform to help make America healthy," said Jack Groppel, Ph.D., USPTA master professional and Vice President. "With research backing the fact that tennis is one of greatest sports to participate in for its health benefits, we feel it can serve as a key component in IHRSA's platform, especially with USPTA's strength as a delivery force to bring tennis to the public."

IHRSA Financial Index Shows Improved Overall Performance in 2008

BOSTON, MA - February 27, 2009 - The International Health, Racquet and Sportsclub Association (IHRSA) announced today the release of the IHRSA 2008 Annual and Fourth Quarter Index, which demonstrates the financial performance of a sample of the commercial health club industry. The survey of 14 leading U.S. health and sports club companies, representing a total of 183 facilities, determined that commercial health club financial performance improved over the full year of 2008.

The IHRSA Annual Financial Index improved performance in revenue, membership accounts, and EBITDAR*. Membership dues revenue increased by 3.4% over 2007, while non-

dues sales improved by 1.3%. Total membership accounts increased by 1.7% in 2008 and EBITDAR also improved by 3.0%. "Despite a less than stellar performance in the third and fourth quarters of 2008, clubs were able to improve annual results in 2008 over 2007 due to strong performance during the first and second quarters of 2008," said Katie Rollauer, IHRSA Senior Manager of Research.

While health clubs improved performance over 2007, clubs in the IHRSA Index reported only a slight increase in total membership accounts in the fourth quarter of 2008 than in the fourth quarter 2007, up 0.4%. However, total dues revenue dropped a marginal 0.7%

compared to the fourth quarter in 2007, while total non-dues revenues were down by 5.6%. "It is not uncommon for members to slow spending on non-dues revenues during the fourth quarter when there is plenty of competition for their dollars and time during the holiday months," said Rollauer.

EBITDAR decreased by 1.6% in 4Q08 compared to 4Q07, indicating that clubs must continue to explore expense management options during the current economic climate. "Sophisticated expense management will help carry a club through challenging times when revenues may decrease or remain stagnant due to discounted services or reduced consumer

spending," said Rollauer.

Note: Data reflects information for 14 leading U.S. health and sport club companies representing 183 facilities. Same-store revenue data reflects clubs that have been in operation for at least two years. Participating companies reported owning/managing an average of 13 facilities (same-store count average of 5 facilities). Data is intended to provide a snapshot of U.S. health club industry performance, however the results are based on a small sample of companies and care should be taken when making comparisons of these findings to the overall industry-at-large. Industry Insights, Inc conducted the survey for IHRSA.

***EBITDAR:** Earnings before interest, taxes, depreciation, amortization and rent.

The "% Change" reflects the percentage change from one quarter to the next in the group's overall mean/average for each variable and is essentially weighted by the size of companies responding to the survey. As such, the "% Change" presents an indication of the broader group's performance. The "Co. % Change" reflects the median/midpoint percentage change reported by the 14 individual companies. As such, the "Co. % Change" represents the "typical" company's performance where all the participants are weighted equally, regardless of size.



Challenging Times...Right Choices

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Today, as you are looking for that 'something new' that will boost your sales and retention numbers, consider focusing on what the hope and change are all about...wellness. Wellness as it relates and spills over into every area of our life, and how you can better communicate that message to the community you serve.

It is a message health clubs are uniquely positioned to deliver, and Greenmaple Wellness is uniquely positioned to help you deliver it. Lynette and I have been working with club owners and managers for many years, and our 'big picture' approach to member communication and retention, as well as community outreach and education, will streamline your sales and retention efforts and maximize your results.

We're looking forward to speaking with you whenever you're ready.

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...Shawn Vint

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that they would prevail, even though at the time, public education concerning the importance of regular physical exercise and proper nutrition was only in

its infancy. In every case, their hope was well founded on one thing; these early men and women of the fitness industry focused on consistently delivering a message of wellness, both to their own members and the communities they served. It raised public

awareness and established what we now call 'community wellness credentials' for the club at the same time. Their efforts also raised the boat of an entire industry.

Today, an opportunity is waiting for those willing to provide the 'steak' of better

fitness and wellness to the masses looking for a simpler, more wholesome, 'get back to basics' approach to life. Those who can best deliver that message of hope, change, and wellness to the communities they serve, like our early club pioneers, will capture it.

(Shawn and Lynette Vint publish the Greenmaple Wellness E-Zine, providing cost-saving wellness content and email communication tools to leading fitness clubs. See more about their company at www.gogreenmaple.com)

READY. AIM. FIRE. FIRE. FIRE!

By: Chris Russo

During the turn of the century, a junior U.S. Navy Officer gave his superiors an idea of constantly firing upon targets using a method of continuous-aim firing. It never occurred to the leaders of the ship to overcompensate for the perpetual motion of the ocean, so the results because of his suggestion were incredible.

There are many similarities between a navy vessel in the water and a fledgling company on the vast ocean of advertising. Both are fighting for advancement, both are in constant

motion, and both are trying to hit the fast-moving targets. How did the Navy win? By using the continuous-aim firing strategy. They found their target and kept firing until they saw results, and then, they still kept firing. **READY. AIM. FIRE. FIRE. FIRE!** This is what successful businesses do.

"Direct mail doesn't work." You've likely said it, or at least thought it, and I've heard it thousands of times over the years. For the most part, it's true! How about this: Direct mail doesn't work for the same reason diets don't work!

We all know "that

person" who is starting a diet again or keeps complaining that they've "tried everything," and it still doesn't work. We both know that what they really need to do is start making small changes (eat less, move more), set some realistic goals and stick to it. Although there will be peaks and valleys, success is right in front of them if they are willing to reach for it, make a plan and work at it with consistency. Now apply that same approach to your marketing. Give it the effort it deserves, make a plan to fight for your market share and work to gain your prospects attention!

The sole goal of marketing is to create enough interest to make the phone ring and the door swing. It cannot and will not sell memberships. That's your job! With that thought in mind, consider that there are really only three things you can offer to entice your audience:

Time... Money... Stuff...

Time - Most people are more likely to buy something if they are able to try it first, risk-free. Whether it is a free trial or a paid trial is up to you, but the trial membership offers you a way to create and establish value while removing a barrier of entry. It gives you the opportunity to earn their business without high-pressure sales tactics and to show them how you will help change their life.

Money - The staple of low-priced clubs and the bane of those that are higher priced. Price can be used effectively, but it is a strategic

move. Too many times the club thinks their "% off" or "pay only \$X" offer is great but neglect to include the perceived value of the offer. Pay only \$20 Enrollment - a \$200 savings! Discounting can be a dangerous game, and if practiced long enough, people will learn that your enrollment fee is negotiable, and you won't have a leg to stand on.

Stuff - A very effective, but seldom used offer. People love free stuff, especially in a sluggish economy where consumer confidence is low and few are buying. The strategic benefit behind this offer is that it gives you the ability to maintain your rates and enrollment fees, but at the same time, add value. If you utilize this offer, make certain you give something of value, not just a t-shirt. Why not a shirt, hat, water bottle and free club coupons, all inside your club sports bag? Now that has value --perceived and real-- to entice a prospect to come check you out.

So, now you have a great offer that people won't be able to resist. How are you going to tell them? That answer is not quite as easy. There are infinite possibilities and a finite amount of money with which to do it. Direct marketing is still the most cost-effective way to generate traffic. The difference is that direct mail is just one tool in your marketing toolbox. Used correctly, it can be one of the most effective, but if you use only direct mail --unless you are one of the few lucky ones-- it rarely works, especially if you



Chris Russo

do it only once or twice a year.

A consistent marketing campaign can include direct mail, flyer inserts, newsletters, door hangers, take ones, guest passes, email, web, etc., anything that gets your message directly into the hands of the prospect. The more you can diversify the vehicle and point of delivery, the better chance you have of making that lasting impression in the prospect's mind.

Prospects buy when they want to buy and join when they want to join. The goal is to put your message into as many hands, as consistently and frequently as possible. You need to own that spot in their mind, so that when they are ready to make their buying decision to join a club, or lose weight, or change their life, or whatever their reason is, yours is the club they come in to join.

Remember again, this great analogy, and as a club operator or marketing person, keep it in the back of your mind

(See *Chris Russo* Page 27)

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...Chris Russo

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whenever you wonder why your marketing doesn't work:

There are many similarities between a navy vessel in the water and a fledging company

on the vast ocean of advertising. Both are fighting for advancement. Both are in constant motion. Both are trying to hit the fast-moving targets. How did the Navy win?

By using the continuous-aim firing strategy. They found their target and kept firing until they

*saw results, and then they still kept firing. **READY. AIM. FIRE. FIRE. FIRE!** This is what successful businesses do.*

If you feel your marketing isn't hitting your target, or your results are not what they used to be, consider the above

and come out fighting for your market share. If you're not going to fight for it, your competition is going to take it from you, and likely without much effort, but definitely with a little strategy!

(Chris Russo is the General

Manager and Marketing Coach at Susan K. Bailey Advertising, an agency with over 25 years experience in the fitness industry. Visit www.clubads.com or call 888-349-4594)

Is Your Club Mining Gold?

By: Karen Woodard-Chavez

This article is a recap of the major points from a webinar that CheckFree, now named Fiserv and I hosted for the industry in January. Fiserv and I have been offering the webinars on various topics since December and will continue to do so through December 2009 on various topics of successful club operations. If you would like more information on these free webinars, please contact Randy Ivey at **Randy.Ivey@fiserv.com**.

In our industry, we have the very good fortune of having a steady stream of Members coming through our doors each day. Some operators in the industry seem to have stopped their business model right at the door. In other words, just having Members come through the door and paying their dues is good enough. Well, remember, "Good is the enemy of great."

Here is the problem with "good enough" thinking: If all we are doing is selling a membership and not getting the Member consistently involved in the programs we have to offer, then we really are not doing a very good job of Member Care and making sure that they get the results they thought they had purchased. If we just leave it up to them to come in and use the facility, and do not systematically funnel new and existing Members into our programs, then we and they are missing the boat. They are missing the boat on their results, and we are missing the boat with our non-dues revenue and retention opportunities. In fact, according to The International Health Racquet and Sportsclub Association (IHRSA), Members who spend more money at the club tend to stay at the club longer than those who don't. The thinking is that, by spending money at the club, they are consistently re-enforcing the value of their membership to themselves. This is particularly true of clubs whose non-dues revenue (NDR) is 25% or more of their gross revenue.

What exactly is NDR? It is revenue that is produced from anything other than monthly dues or the pre-payment of membership. It includes, but is not limited to, gift certificates,

spa services, personal training sessions, tennis lessons, program fees, pro shop items, in-club advertising, food and beverage, events, parties, etc.

Most clubs, as mentioned earlier, tend to focus very heavily on new membership sales rather than a balance between new membership sales and catering to the sales of our existing Members. A recent, small survey has shown that the average club in the US produces 30% of its gross revenue from NDR. With 30% being the average from this study, you have to know that there are also operators that produce much less in NDR, as well as a few shining examples of very astute operators who have built in attractive revenue streams and market protection by achieving 50% or more of gross revenue in NDR.

What is the importance of building a strong NDR stream in the club? Consider the fact that there are more clubs, more competition and fewer people walking through your doors. Doesn't it make sense to generate more revenue from the people who are already committed to us? The ones who are in the club 2-5 times per week? Consider, on average, \$5 per Member per month more than what you are getting now that comes from sources other than a dues increase. If your club has 3,000 Members, that would mean \$15,000 more in monthly revenue or \$180,000 per year.

Look at it another way; if you get 100 Members involved in various programs/services throughout the club (the list mentioned above), and they each spent only \$75, that would be an additional \$7,500 per month or \$90,000 annually. Also remember, most Members, once they are involved in a program or service, will continue to utilize that program or service. So, the answer to the question of what is the importance of building a strong NDR stream is because it has a positive impact on the Indispensable Three: Results, Retention and Revenue. Additionally, with NDR being a higher percentage of gross revenue, your club is left less vulnerable to competition as well as seasonal drop offs in new sales traffic.

How can you do it effectively? Assess the following

at your club:

• Does your club have a *systematic* (meaning each and every time, not just once in a while) way to get new Members involved in NDR programs as they join the club?

○ This format should be presented while *on* the tour, *not after* the tour. Prices for programs, what is included, what is not included, reasons to purchase, etc. should all be discussed *while on* the tour. This can only be done if the sales staff is doing an effective job *before* the tour to understand the exact results the prospective Member wants from being a Member. The sales staff should not shy away from talking about what is additional and what is included. We should be proud to present "solutions to customize your membership and results"

○ It is important to note that the membership sales staff should not be expected to sell 24 sessions of personal training, but instead, "New Member Privilege Programs," which would be three to five sessions (at the most) of club programs.

• Does your club have a *goal* for new Members getting involved in NDR programs as they join?

○ This is a critical element in the job description for sales staff. We need to be clear about there being goals *both* in membership sales as well as program sales, and neither is negotiable. To maintain employment, sales staff need to hit *both* goals.

○ This will require training *by the club* for the sales staff to be successful. DO NOT decide to require the sales staff to now sell NDR programs and neglect to train them properly.

○ Just as we compensate sales staff incrementally for membership sales, we need to do the same thing for program sales. This is a terrific opportunity for sales staff to boost club revenue and their own income in the process.

○ The goals should grow with each month of mastery, and within a three-month period, after thorough training, should go from 20% to 35% to 50% of new

Members.

• Is each NDR program/department run like a business with a business plan, sales plan, marketing plan, daily goals and accountability measures to insure that goals are met?

○ Every NDR department, in order to be successful, needs to be operated as a business with a manager who will drive that business. Without these elements, your NDR departments will be anemic at best.

• Is the staff responsible for selling these programs/services professionally trained on how to sell the programs/services?

○ We offer some terrific programs and opportunities for Members to achieve their results, and for the club to achieve the Indispensable Three, as mentioned above, BUT from what I see in most clubs, very few staff understand and have a plan to be able to sell those programs. Thus, many clubs are underperforming in NDR. Train your staff and give them the tools to be successful.

• Are your programs and services market/Member-driven?

○ The programs that we offer have to be something that is in demand by the Members, not programs that we, as staff, see as the latest trend in the industry. If you have hundreds of Members who simply come in to the club and spend 45 minutes on an elliptical or a treadmill each and every time they use the club and have been doing so for years, perhaps there is a gold mine in offering a 3-session program entirely based on maximizing your results and minimizing your time on the



Karen Woodard-Chavez

elliptical or treadmill. There are so many things the club can offer that are simple and demand-driven. It is not limited to simply a tennis package or personal training package or spa package, but instead, there are numerous package offerings that can be created within each of those categories.

If you can objectively and knowingly answer "yes" to these questions, then kudos to you, as you are more than likely producing a strong NDR stream. If you cannot answer "yes" to these questions, then now is a good time to assess what changes need to be made to positively impact your Results, Retention and Revenue.

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

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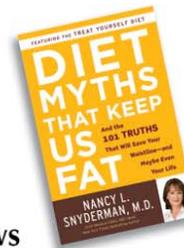
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Social Bonding, Tribes and Affinity Groups: A Solution to the Retention Challenge

By: Will Phillips

As health clubs succeeded in the 90's, many entrepreneurs and franchisors were attracted to this healthy growth industry. The old timers then began asking, "How do I differentiate myself?" Some old timers differentiated by lowering prices to compete, but the smart old timers began looking for real points of differentiation. One differentiator that has emerged is **social bonding**, and this has occurred almost as a byproduct of club programming.

EXAMPLE: I first learned about social bonding when tennis clubs reported that tennis members outlasted fitness-only members by years. Tennis owners did not mind spending two to three times more recruiting a tennis member because of their very low attrition rate.

EXAMPLE: An REX Roundtable member and IHRSA President, Ben Emdin, reported in the early 90's that his single members stayed an average of 24 months, couples stayed 27 and families stayed 32.

EXAMPLE: In my experience, family-focused clubs have higher retention, higher membership fees, higher non-dues revenue and less competition from typical chains.

EXAMPLE: One of the strongest multipurpose clubs is the Yuba City Racquet Club in California. Judy Jacoby was a member of an REX Roundtable for close to a decade. Her personality of warmth, care and love drove her every decision. Business basics and the numbers were not on the top of Judy's mind, yet her club performed remarkably well. Judy ran the club like a host, connecting people, introducing people and creating affinity groups. This is a fancy name for a group of people connected together by a common interest or passion.

EXAMPLE: One strong club discovered that their fitness-only members stayed for an average of 24 months while group fitness members lasted for 46 months. This is the most astounding retention program ever.

Traditional retention efforts, aimed at giving a new member a good start, have, at best, added a few weeks to the average length of a membership. Several concerted efforts by Roundtable members, from single clubs to significant sized chains, designed to boost retention through frontend attention showed even less impact. Yet, a group exercise class can almost double your retention! Suppose 50% of your members stayed twice as long. Can you compute the bottom line impact on revenue?

Try This: If 1,000 members stay an extra 12 months, that is 12,000 times your membership fee. Let's say 12,000 times \$45 a month. **That equals just over half a million dollars more in annual revenue.** Or, you could just sell 1,000 fewer new memberships and have the same revenue as now. You can play with the numbers and get different results, but they will still be significant. And, this \$540,000 is largely due to social bonding.

You knew that! Right? Well, maybe you did and maybe you didn't, but the critical question is: What do you do with that knowledge? **You are missing the boat if you don't explore and add sophisticated group exercise programs.**

Professionally-produced group exercise programs will add retention, higher referral rates and more profit. This is a very successful strategy for clubs with weak sales machines, which is the majority of single, independent clubs.

The club's job is to become an expert in social bonding and networking. Most clubs are experts in fitness and physiology, and that might have been a competitive distinction in the 70's or 80's, but now, it's just expected in every club. Good facility design, good equipment and good programming. Knowledge of fitness and physiology is no longer enough for success; it is simply the ticket to enter the industry. Now, the leaders are learning how to connect, connecting better with the members, and even more important, connecting members to members. This is called a **TRIBE**. The world's most famous tribe is the Harley

riders. They have a tribal unity and bond that advertises the product so effectively that Harley Davidson spends little on promoting the brand; however, they do invest in enabling the riders to promote the brand.

Seth Godin's book, **TRIBE**, is a reasonable stab at explaining the principles of tribes so that you can build your own tribe. The study of tribes properly belongs to cultural anthropologists. Seth is not an anthropologist, but his strengths are that he understands business and writes clearly.

Seth Godin on Tribes

A tribe is a group of people connected to one another, a leader and an idea. Jerry Garcia and The Grateful Dead created a tribe some 40 years ago. They did not succeed by selling records. In fact, they only had one Top 40 album. Instead, they succeeded by attracting and leading a tribe who followed them all over the world.

Tribal Insights

Note: The lettered items below are questions for you as a club leader to ponder. They are based on Seth Godin's view of tribes and your club's potential for nurturing the actual and latent tribes in your club. Grappling with these questions will get you and your management team thinking about how to build tribes.

1. Humans want to belong to tribes, frequently multiple tribes.

A. Can you identify any tribes in your club? Name them.

2. Tribes used to be local, but now, the internet eliminates geography, through such internet sites as Facebook, MeetUp, Twitter, Squidoo, Basecamp, Craig's List, and of course, email.

B. Can you conceive having a tribe attached to your club whose members do not live locally but are spread across the U.S?

3. Tribes are about faith or belief in an idea. This is one of the reasons why the Arthritis Foundation could sponsor marathons around the world and raise over \$80 million in one year. Hundreds of people run in

cause-related marathons because they believe in something. They believe in their mother's five-year anniversary of surviving breast cancer or their brother who has leukemia. In one set of interviews, those who had completed a cause-related marathon said they never had time to exercise, but they did have time to practice for six months to run a marathon in honor of their brother's death from diabetes.

C. What passions are held by some of your club members that could form a tribe?

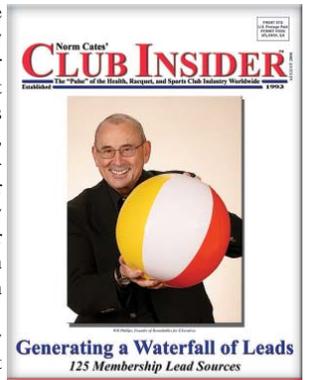
4. There are two basic ways that organizations can function. The traditional one that we have been familiar with for the last 150-200 years is the factory model of producing goods and services. It is extraordinarily efficient, but it is not as profitable as it used to be.

Factories came into being because they are efficient and because human nature desires stability, and in some ways, the absence of responsibility. Factories, whether they are factories producing automobiles or reports, such as a government bureaucracy, provide stability in the absence of responsibility; no surprises, no changes. In fact, most factories are producing commodities, and most factories are very easy to relocate into a different country. In one day, 20,000 Ford factory workers lost their job because factories are easy to close or outsource. In our industry, low-cost, low-service clubs are like factories; their only strategy is efficiency.

D. How much of a factory is your club?

I think group programs are like tribes, and fitness is a factory. Several mid- and high-end clubs in Roundtables reported that they had no fitness floor staffing on Sunday afternoons and many evenings after 8 pm. In other words, they were mimicking the low-service clubs at those times. When they reduced staffing at peak hours, only a handful of members even noticed. They are factories; easy to compete with and high attrition rates.

5. Crowds versus Tribes. A crowd is a tribe without a leader. A crowd is a tribe without communication.



Will Phillips

Most organizations spend their time marketing to the crowd. Smart organizations assemble the tribe. Crowds are interesting and can create all kinds of market impact, but tribes are longer lasting and more effective.

So, let's build some tribes:

Tribe Building Principle #1: A Passionate, Shared Interest

To turn a group of people into a tribe, there must be a shared interest. Godin points out that a leader can increase the effectiveness of the tribe and its members by transforming a shared interest into a passionate goal and a desire for change. Publish a Manifesto. Give it away, and make it easy for the Manifesto to spread far and wide. It does not have to be printed or even written. Most clubs have mission statements and rarely use them. Thus, we have a new term --Manifesto-- distinct from a Mission. A Manifesto is written for the tribe, not the owners or managers. It is surrounded with passion. It speaks to the heart.

Nick's Pizza and Pub has the simplest Manifesto I have seen: *Our dedicated family provides this community an unforgettable place; to connect with your family and friends, to have fun and to feel at home.* When REX held a workshop at Nick's for Roundtable members, Nick and his partner, Chris, clearly demonstrated how they use this to build a tribe when staff line up to work at Nick's and patrons regularly drive forty-five minutes once a week to eat there.

CrossFit.com has done (See Will Phillips Page 32)

Drive Incremental Revenue with Nutritional Products

By: Dr. Edward M. Slover

The present state of the national economy is palpable and far reaching. Businesses in the auto, restaurant, jewelry, and retail clothing industries reported a decline in year-over-year sales in 2008, and sales are expected to fall even further as the turbulence continues into 2009. While there appears to be no end in sight, there may be light at the end of the tunnel, especially for the health and fitness industry. Accordingly, *Nutrition Business Journal* research reported that U.S. consumer sales of dietary supplements across all channels grew almost 6% to \$23.7 billion in 2007. What is more, early sales and growth estimates support U.S. consumer nutritional products sales grew by approximately 7% in 2008 to \$25 billion, with "functional foods" expected to grow in upwards of 12%. Obviously, this data proves encouraging for health clubs looking for ways to generate incremental revenue as an adjunct to new membership and/or personal training sales.

Data from a 2007 study illustrates that the employment of best practice strategies related to the sale of nutritional products can have a dramatic, positive impact on your business. Several of these best practice strategies include:

1. The integration of nutritional products in weight management programs.
2. Creating an appealing retail presence within the facility.
3. Offering promotional incentives to attract and retain customers.

Managing each of these areas with the same degree of focus you manage other aspects of your business (i.e., membership, personal training, etc.) proves critical to maximizing success and capitalizing on the opportunity to create a recurring revenue stream. Now, let's look at each of these best practices...

Integration of nutritional products in weight management programs cultivates a positive

environment by, first, assisting your customers reach their fitness goals, and second, by generating incremental revenue for your business. Our industry has known for years that clients get better, faster results by including a multi-vitamin mineral formula, appropriate goal-specific products, and ready-to-eat (RTEs) bars, shakes and cookies. The beauty of integrating nutritional products in weight management programs is that the dialogue from nutrition education to the role and relevance of dietary supplements is seamless. Since the goal is to give every client the best chance for success, it behooves your team members to present the benefits nutritional products have within their meal plan. This allows you to serve as an advocate for your customers and maintain the highest level of credibility. The residual benefit lies in generating substantial incremental, residual revenue for your business, as customers attribute their success to each element that assisted them.

From an operational standpoint, nutritional product education should be an integral component of every session conducted with a client. Just like personal trainers adjust resistance training or cardio protocols to ensure the client progresses toward their fitness goal, the weight management consultant must address the role nutritional products have within the context of their nutritional protocol. On-going assessments should be made to ensure the client remains consistent with the nutritional product regimen, and adjustments should be made as appropriate. Like all other aspects of the client's program, assessing and

modifying the nutritional product component is a dynamic process designed to address all relevant components of their fitness program.

An often overlooked component of the health club business is retail. Many gym owners do not view their facility as a "store," which is an interesting psychology given that most exercisers visit their club several times per week and remain there for 30-60 minutes. In fact, next to time spent at home and at work, the health club represents the location where gym goers spend the most amount of time each week. In order to capitalize on this audience, it is incumbent upon the facility to create (and maintain) an appealing retail presence. This is accomplished by placing product fixtures in "high traffic" areas to grab the attention of members as they enter or exit the club. The product must be easily accessible and provide ample clearance all around (3feet) and positioned within "interaction points" to promote impulse purchases. Further, successful retail establishments like Wal-Mart or Barnes and Noble understand that customers like touching and feeling the products. Therefore, products should never be locked in a case or cabinet. What about theft? Well, research shows that approximately 85% of all theft stems from employees, not your customers. Utilizing an effective inventory control program can minimize this (in addition to security cameras).

Proper merchandising of nutritional products requires on-going care and maintenance. Inventory levels should be monitored daily, as shelves should never appear to be

depleted. Research shows that customers are much more likely to buy when shelves appear full of product. In the event stock is low, it is important to "front" or "face" the product by pulling it to the front of the fixture. This will demonstrate the appearance of fullness until the fixture is restocked. Additionally, the fixture and each of the products should be cleaned daily, the appropriate lighting should focus a customer's attention on the product, and signs, posters, and brochures should be conspicuous around the display and point-of-sale locations. Integrating these suggestions will create the "retail presence" you are looking for within your facility.

Offering promotional incentives to attract and retain customers serves as another common best practice in retail environments. Within the context of nutritional products, there are a variety of strategies that prove effective, such as extending a discount for every first-time purchase (e.g., 20% off), offering an on-going 10% discount for customers purchasing boxes or cases of products (i.e., bars, cookies, etc.), or using a "punch card" for frequent buyers (i.e., Buy 10 items, Get 1 FREE). Further, conducting frequent sampling events featuring RTEs expose more of your customers to the products you feature. This serves as an important sales strategy, as many customers are apprehensive about purchasing products they are unsure they will like. Ultimately, the design in offering incentives maximizes product sell-thru and promotes increased sales volume while maintaining the integrity of profit margins.



Dr. Edward M. Slover

Utilizing the best practices strategies shared here will allow your business to capture up to \$5,000 or more per month in incremental revenue, with pre-commission margins in the 25-55% range depending on your business partner. At Apex Fitness, our licensees consistently yield a net margin of 47-52%, with the variance tying to the degree and frequency of promotional discounts. Not only does this serve as a credible revenue source, but it fulfills a need your customers have, as more than 70% of Americans purchase nutritional supplements. If they are not purchasing nutritional products from your business, you are leaving money on the table and not serving as a complete fitness resource for your customers. Given the anticipated growth in the industry, what are you waiting for?

(Dr. Edward M. Slover has 12 years of diversified experience within the commercial health and fitness industry and holds a Doctorate of Management in Organizational Leadership. He has presented at national symposia on numerous health and fitness related topics, has consulted hundreds of health clubs, and has certified over 1,000 fitness professionals nationwide. Presently, he works as the Manager of Licensing and Account Management and Master Educator for the Apex Fitness Group, home of bodybugg® - The World's Most Intelligent Calorie Management System. He may be reached at ed@apexfitness.com.)

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Medical Fitness Association Partners with NuStep, Inc. for the Fifth Annual Medical Fitness Week

RICHMOND, VA - March 3, 2009 - The Medical Fitness Association (MFA), in conjunction with the MFA Education Committee, has teamed up with NuStep, Inc. to sponsor the Fifth Annual Medical Fitness Week, April 20-26, 2009. The goal of this MFA initiative is to promote an increase in physical activity levels in all ages and to highlight

the medical fitness difference.

"As a supporter of the 'Steppin' Out... for a Lifetime' National Walking Challenge since 2006, NuStep is pleased to see that interest and participation in the program has grown each year," said Steve Sarns, NuStep vice president of sales and marketing. "Understanding the importance of physical activity in

combating obesity and preventing chronic illnesses, NuStep enthusiastically endorses MFA's mission to motivate individuals to become active for life."

During this international event, medical fitness centers and communities are asked to offer programming that focuses on teaching families the skills they need to develop healthy lifestyle

habits. Facilities participate in a number of ways including health-fairs, educational seminars and open houses.

Many partners participate by entering in the "Steppin' Out... for a Lifetime" National Walking Challenge: 70,000 Steps in 7 Days. The National Walking Challenge encourages local communities to get up and move by striving for

70,000 steps in seven days from every participant. The challenge involves wearing a pedometer and tracking how many steps a day each person is achieving. Centers are encouraged to use this event as a fundraiser and donate all monies raised to local programs and scholarship funds in the fight against obesity or other health related issues.

...Will Phillips

continued from page 30

this with fitness. It is a worldwide tribe passionately committed to fitness. Their website posts different fitness challenges and hundreds of people post their times. Visiting their website is worthwhile, and read their Manifesto, "What Is Cross Fit?"

E. What is your club's Manifesto? Try articulating it.

Tribe Building Principle #2: Communication Up, Down and Sideways

There are four different types of communication:

●**Leader to Tribe:** Make it easy for your followers to connect with you. It could be as simple as visiting or emailing or watching you on TV.

●**Tribe to Leader:** Multiple mechanisms for a real time, upward flow of information. Tom Peters kicked this off in the 1980's with management by walking around.

●**Tribe Member to Tribe Member:** Make it easy for your followers to connect with one another. There is that little nod of one restaurant regular guest to another restaurant regular.

●**Tribe Member to Outsider:** The tribal leaders can provide tools for leveraging the tribe to allow it to grow and gain new members. Make it easy. *Would you like to email this to a friend?*

The National Rifle Association has a huge impact on the political and legislative culture of the United States, far in excess of its size. Godin claims this is because the tribe is

extraordinarily passionate, well connected and communicates up, down and sideways.

So, the leader's job is to provide tools to tighten the communication. This means giving everyone of your professionals a blog and freedom to use it.

F. Explore what you can do to enhance, deepen and accelerate each of the four communication channels in your club.

Tribe Building Principle #3: Tighter Versus Bigger

The leaders of most organizations put their emphasis on growing bigger. This will not build a tribe. To build a tribe, you must make it tighter. This means that communication flows more quickly with more alacrity and emotion. A tight tribe closely connected is one more likely to hear its leader and more likely that the leader will hear the members. Even still more likely is that it will coordinate its actions and ideas.

Steve Jobs has done a great deal to tighten the Apple tribe. Within hours of a new product announcement, word has spread to millions or even tens of millions of users, all online. So, the strategy is in reverse: First, try becoming tighter, which enables bigger, rather than trying to grow bigger which prevents growing tighter. When the tribe grows, it does not do it for you; they do it for each other, and tighter can drive bigger!

People do not believe what you tell them or show them. They often believe what their friends tell them, and they always believe what they tell themselves. What leaders do is give people stories they can tell themselves; stories about the future and change and hope.

The internet has taken

the original idea behind blogs and extended them to a variety of tools to tighten a tribe, such as Twitter, with tiny messages that can reach thousands of people waiting to hear from you and Facebook, which enables a huge range of connections to be created.

G. Focus your responses to the items in this question with 'tighter' in mind. Consider what sort of internet social network forum could build a tribe of *Younger Next Year* members, a group committed to losing weight or parents of autistic children? *These are all real tribes in real clubs now!*

Tribe Building Principle #4: Exclude Outsiders

Make it crystal clear who should be in and who should be out. *Who is part* of your movement is almost as important as *who is not part*. In order to win an election, you need the majority of the votes. If everyone does not vote, it may not even be over 50%. In order to lead a tribe, this will fail. Indeed, a tribe requires close to 100% positive vote by its members to be a tribe. Leaders must motivate them to join and follow the tribe, and the rest of the population is free to ignore you or disagree with you and move on. Not everyone is going to be a Harley rider, a Starbucks aficionado or a Southwest Airlines fanatic. That is fine. Let the people who are committed commit. Trying to lead everyone results in leading no one.

Tribes are increasingly voluntary. Great leaders do not want to water down their message in order to make a tribe just a bit bigger. Tribes that work better when they are bigger get bigger, such as the email tribe. Some tribes do better when they are smaller precisely because

they are small, such as an REX Roundtable. Almost all of the growth that is available to you as a tribe exists when you are not like most people and when you work hard to appeal to the folks who are not like most people.

Tribe Building Principle #5: Your Club As An Umbrella to a Hundred Tribes

A few family-oriented clubs have dozens of affinity groups; the Thursday night wine tasters tribe, the tri-athletes tribe, the CrossFit.com tribe, the young, single moms tribe, the skiing tribe, the Silver Sneakers coffee tribe, the Wednesday retiree tribe and the list goes on.

The Appalachian Mountain Club in Boston nurtures dozens of tribes; canoeing, easy hiking, winter hiking, snowshoeing, kayaking, bird watching and another ten or twenty. Each tribe is led by a volunteer champion who organized their tribe, its training and social events. The AMC is over 130 years old, has 90,000 paying members in 12 chapters from Maine to Washington D.C., 20,000 volunteers and over 450 full time and seasonal staff. No fancy technology was needed to grow these tribes and their

umbrella organization. Each tribe was the result of human passions enabled to connect by the umbrella organization.

Now, we have extensive online resources for connecting and enabling tribes.

Follow Up

First, buy Tribes, and read it to deepen your understanding. Next, listen to Seth Godin at IHRSA in San Francisco on Wednesday, March 18. In the meantime, go back and consider really answering all the lettered questions in this article, and do it with your leadership team.

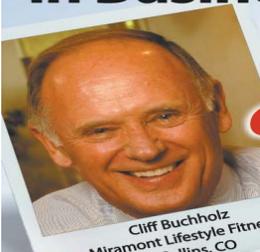
To read more about social bonding connections to a business, pick up The Culting of Brands by Douglas Atkin. The author takes the concepts of building tribes even deeper. Next, learn about internet tools for social bonding. Join Facebook and Ning. Then, read Facebook Marketing: Leverage Social Media to Grow Your Business by Steve Holzner.

(Will Phillips is the founder of REX Roundtables for Club Owners. REX has Club Roundtables in the United States, Australia and Brazil. For more information, go to: www.REXroundtables.com)

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Programming Tip of the Month: *Spring Into Spring With The "Three 4 Three" Program*

By: Sandy Coffman

You need to have several programming calendars working in your club at all times. But, one that is essential is the "Seasonal Programming Calendar." Summer, Fall, Winter and Spring need to be celebrated with special programs that your members can look forward to each year. The programs become seasonal "brands" that result in increased participation, retention and growth if the programs are marketed and administered properly. For example, right now, a terrific full club spring program will welcome your members into the club with new energy, new goals and a new attitude. You don't want your members to think of your club as simply a place they go to work out without some diversified fun

programming thrown in now and then. That's when exercise can become a real drag... for you, your members and your business. So, this is a great month to add a new program to your agenda... a program that can be adapted to every member regardless of their level of fitness. Yep, it's for new members, existing members or inactive members coming back for new beginnings.

A few points that your program must include are: (1) The program must have an immediate and easy entry; (2) Every participant must be able to win a prize and (3) The entire staff must be trained on how to MAKE IT FUN!

Since March is the THIRD month of the year, let's look at a program in the fitness center to get you started. This one is called **THREE 4 THREE!**

THREE 4 THREE

The **THREE 4 THREE** Program is a way to get members to work out at your club *three* times a week for *three* weeks. It is a retention program designed to get the member to exercise consistently, form a habit and create a schedule that includes regular exercise. Anyone who signs up for **THREE 4 THREE** should complete the program. A staff member or trainer must be in charge of the program and follow up with participants if they miss a workout, rescheduling so the participant makes up the missed day.

1. THREE 4 THREE is ideal for any type of member; the new member, the inactive member or the active, existing member.

2. It is a short program

(*three* weeks), so the success rate is high.

3. Each workout must be tracked on a member's activity card (See CD-ROM included with my book, **Successful Programs for Fitness and Health Clubs: 101 Profitable Ideas**).

4. The **THREE 4 THREE** Program can include any type of workout in the fitness center done *three* times per week for *three* weeks.

Tips for Success and Points to Consider

Some clubs have tried to run this program as *three* times per week for *three* months, but that has proven to be too long. It may sound good, but realistically, you will defeat your purpose. Too many members fail to finish. It is better to set your member



Sandy Coffman

up for success and then use this program to promote participation in another follow-up program (More on that in future articles).

●Offer some kind of prize, award or incentive at the completion of the program. It can be a T-shirt, a (See Sandy Coffman Page 34)

...Sandy Coffman
 continued from page 33

water bottle or a gift certificate to a pro shop. Everyone can win!

•Charge a small fee if a larger prize is to be given. If you offer the program free of charge, I suggest holding a drawing for a prize at the end of the three-week period.

•This is a quick program that can be offered between seasons or between larger programs.

Variations

•**THREE 4 THREE** can be a project program at any time for any staff member or trainer. He or she would set a goal of 20 participants and call them to promote the program. It is much like running a fitness league. If all 20 participants complete the program, the staff member would be eligible for a bonus, a prize or

an award as well.

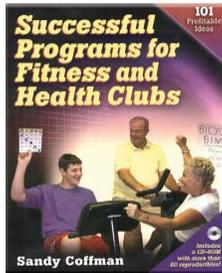
•**THREE 4 THREE** can be a full program run within the fitness center during a specific three-week period. With this scenario, 5 or 10 fitness trainers would each take on 20 members each as their goal. If five trainers participated, 100 members --new or inactive-- would be working out at your club regularly for 3 weeks. Rewarding the successful trainers for their programming efforts as well as the members will be well worth it.

•One step further, you can establish a **THREE 4 THREE** Club. Any member who completes the program would be a member of the **THREE 4 THREE** Club. The club could run from January through December of every year so, for example, a member can become a member of "T4T Club, 2009."

Supplemental Materials

--**THREE 4 THREE** logos, **THREE 4 THREE** fliers, and **THREE 4 THREE** activity cards-- for this and many other programs are available on the CD-ROM in my book, **Successful Programs for Fitness and Health Clubs: 101 Profitable Ideas**. By the way, Happy St. Patrick's Day! Enjoy!

(To order Sandy's great new programming book, "**Successful Programs for Fitness and Health Clubs**" 101 Profitable Ideas go to: www.humankinetics.com Contact Sandy: SLCoffman@aol.com or www.sandycoffman.com)



...The Question
 continued from page 20

CHARLOTTE, N.C. - March 5, 2009 - Retention Management has launched a new prospect email program as part of its industry-leading member communication service. An expansion of its automated email services, the new program provides clubs with the tools to increase sales traffic. The program includes:

- Easy-to-use web interface to create text or HTML prospecting emails
- Follow-up with guest traffic, lead lists and former members
- Emails sent through Retention Management's certified systems to get past SPAM filters

"Retention Management is committed to making our clients more profitable, and we understand that the current economic environment is making it very tough for fitness centers,"

says Richard Ekstrom, President of Retention Management. "They need help increasing prospect traffic as well as retaining existing members. The addition of our new prospecting component to our current member-based offerings provides our clients with a powerful tool to leverage new member marketing dollars without any additional cost to them."

(Norm Cates, Jr. is a 35-year veteran of the health, racquet and sportsclub industry. Cates was the Founder and is now in his 16th year as the Publisher of **CLUB INSIDER**. He was IHRSA's 1st President, and a Co-founder of the Association with Rick Caro and five others, in 1981. In March, 2001, IHRSA honored Cates with its DALE DIBBLE Distinguished Service Award, IHRSA's highest honor. Cates may be reached by phone at: 770-850-8506 or email at: Norm@clubinsideronline.com)

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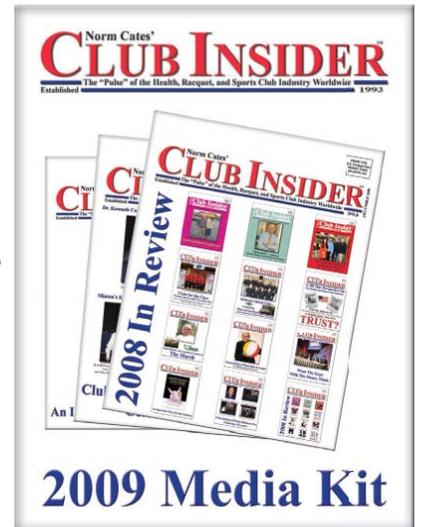
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Sincere Thanks and Great Appreciation To:

All who have advertised, purchased subscriptions, read and pitched in as Contributing Authors. We are now in our 16th year of publication! All of you are on the "Team" that makes **CLUB INSIDER**, and we will be grateful to you forever. **I appreciate and LOVE 'Ya!**

Very Sincerely,
 Norm Cates, Jr.

bodytraining systems



"I have never seen anything else in the industry have such a high impact on guest traffic, member retention, member satisfaction and profits. With BTS we've increased monthly group participation from 800 visits to 6,000 visits, added over 2,600 new members increased retention from 50% to 73% and increased profits by over 400%!"



John Bonica
Co-Owner, Global Fitness Centers

"We have learned the impact that marketing BTS programs can have on driving traffic into our clubs. We have advertised FREE classes to non-members in various media which has increased traffic by over 25%. On top of that, 90% of prospects who visit WOW! and experience a BTS program, join that day!"



Stephen S. Roma
Owner, WOW! Work Out World

"We began working with BTS in 2006 and within two years we had dramatic impact on our business. We went from only servicing 9% of our members in Group to 37%. Our retention rate for Group members has skyrocketed to 93%! And amazingly, by executing one of BTS' management principles of integration, we have developed a cohesive team of instructors and personal trainers. This has resulted in our PT revenue increasing by over 55%!"



Mike Silva
Owner, The Edge

"BTS is the single best investment I have ever made, not only in Group Fitness, but also for my club as a whole. It services our members, sells memberships, markets our club and motivates our members and staff, including me! BTS has enabled me to increase my membership price from \$30 to \$49 per month, and we no longer compete on price."



Jason West
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