

# Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry



Terry Dezzutti, COO of Merritt Athletic Clubs



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## Terry Dezzutti...

*Carrying on the Future-Shaping  
Tradition of Merritt Athletic Clubs*

**MARCH 2013**

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# Norm Cates' CLUB INSIDER™

The Pulse of the Health and Fitness Club Industry

## Terry Dezzutti...

*Carrying on the Future-Shaping Tradition of Merritt Athletic Clubs*

By: Justin Cates

Last month, in our February Edition of CLUB INSIDER, we presented an In-Depth Interview with Robert Brewster, President of The Alaska Club and current IHRSA Board Member. His time as Chief Operating Officer of The Alaska Club prepared him for his future post as President of the company, and his industry leadership role as an IHRSA Board Member has been a natural progression that is paying dividends to our industry as a whole.

This month, we caught up with Terry Dezzutti, whose experience has been very similar to Robert Brewster. He is now a 30+ year health and fitness club industry veteran and the 16-year-running Chief Operating Officer of Merritt Athletic Clubs. As I have written previously, like any great health and fitness club leader, he has not kept his experience and knowledge exclusive to his company but has shared it

with others in hopes of making the industry as a whole a better place to make a living, and in turn, improving the health of our nation's population.

For Terry, this has taken the form of being a sought-after industry speaker/presenter in years past and a member of REX Roundtables, where he has shared his knowledge and experience with others who have shared theirs. Being a relatively young industry, this back and forth exchange of information and ideas is absolutely crucial to the further development of an overall industry knowledge-base and the continued building of TRUST with the public.

In this author's view, unlike the tangibility of selling a physical product, in which most of a consumer's trust is built into the product itself (and some in the later customer support of that product), selling a service requires making a promise and fulfilling it, every time. Then, of course, this must be done at a desirable price based on the  
(See *Terry Dezzutti Page 12*)



Frank Actisdano, Controller; Mark Miller, Vice President; Terry Dezzutti, COO.; Donyel Cerceo, Director of Marketing

### Rick Caro and Others To Be Honored At IHRSA 2013 in Las Vegas

BOSTON, MA - IHRSA, The International Health, Racquet & Sportsclub Association announced that industry legend Rick Caro, President of Management Vision, Inc., and Founder and Past President of IHRSA, will be presented with the inaugural Lifetime Achievement Award on Wednesday, March 20th during IHRSA's 32nd Annual International Convention & Trade Show at Mandalay Bay in Las Vegas, Nevada.

The Lifetime Achievement Award is presented to an individual whose lifelong commitment, outstanding leadership and

inspiration have made a lasting impact on IHRSA and the health club industry.

"I am thrilled to honor Rick Caro with the inaugural Lifetime Achievement Award, and to thank him for his decades of service to our industry," said Joe Moore, IHRSA President and CEO. "I can think of no one whose work has directly touched more clubs or fitness companies than Rick Caro. Our industry's financial landscape, and the lives of countless individuals would be far different if not for Rick's  
(See *IHRSA Awards Page 6*)

### Massachusetts Office of Consumer Affairs Finds Many Local Fitness Clubs Not Complying With Disclosure Laws

**Publisher's Note:** CLUB INSIDER contacted Jada Leder-Luis of the Massachusetts Consumer Affairs Office Media Department to learn the names of the 15 clubs cited in their press release shown below. This is the list provided by Ms. Leder-Luis, via the Massachusetts Consumer Affairs website: Fitness Together, Boston, Reebok-Crossfit, Women's Fitness of Boston, Planet Fitness, Healthworks Fitness Centers, Fitness Together, Cambridge, Boston Sports Clubs, Evolve Fitness, Blast Fitness, Cambridge, Cambridge Athletic Club,

YMCA Huntington Ave, West Suburban YMCA, Boston Sports Club, Boylston Street, Boston Sports Club, Downtown and VIM Fitness.

BOSTON, MA - After a month-long investigation of health clubs around the Boston-area, the State Office of Consumer Affairs and Business Regulation announced in early March that it had found violations of state disclosure laws at many local fitness clubs. Specifically, investigators  
(See *Massachusetts Clubs Page 7*)

### Inside The Insider

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- Business Survival & Prosperity - **By:** Maria Parella-Turco
- How to Improve Your Health Club Business - **By:** Jim Thomas
- De-Clutter Your Club for a Better Member Experience - **By:** Bruce Carter
- FINALLY... Eliminate the Stress of Managing - **By:** Donna Krech
- Matrix Global Q4 Sales Increase By 39.7% and 24.6% Over Prior Year
- Planting the Seeds For Better Marketing - **By:** Tracey Bourdon
- And of Course, *Norm's Notes*

# Norm's Notes

•**Hello Everybody!** This is your **CLUB INSIDER Publisher** and **Tribal Leader** Since 1993 checking in!

•**Is America a great country, or what!? Hmm... hmm... hmm! Good Lord I love America! God bless her!**

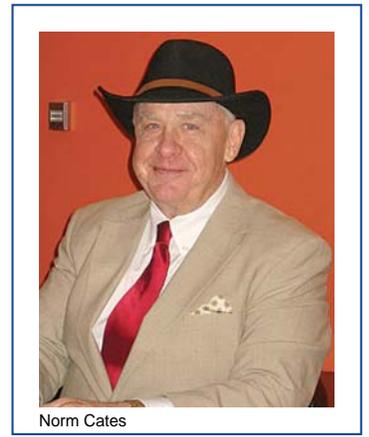
•Let me tell you... It's just great to be preparing to head to **Las Vegas for IHRSA's 32 Annual Convention and Trade Show**. Please check out the **CLUB INSIDER Advertiser Directory** of those who will be exhibiting on **Page #8**. Please do check out the list and even photocopy it so that you will be sure to know whom to thank for bringing **CLUB INSIDER** to you each month. And, please do business with these professional companies. They will take care of your needs, and you can depend on them to treat you right! Before I move on, let me just say "HOORAY for our **CLUB INSIDER Advertisers** who make this publication possible! We are very pleased to be celebrating our **20th Anniversary of CLUB INSIDER** this month at IHRSA Las Vegas and to tell you that I am amazed to be presenting our **231st monthly edition!** Justin and I hope to see you at **Booth #735!**

•If you're reading this edition of **CLUB INSIDER** while attending the **2013 IHRSA Convention and Trade Show** in Las Vegas, then I want to *compliment you on being very smart to be there!* Yes, you're

very smart to invest your valuable time and money to be at IHRSA 2013. That's because there's no way in hell that, if you attend as many of the over 200 seminars being presented as possible, your club business won't benefit and grow from your personal learning and advancement of your club business education. Since **RICK CARO** and I started IHRSA (it was **IRSA** in the beginning), along with five others way, way back in **1981**, we've seen IHRSA grow and grow and grow. **And, that has not been by accident. IHRSA's growth and advancement over the years was led by BIG JOHN MCCARTHY**, who was our Executive Director, *and he performed his job magnificently for 25 years*. Then, **JOE "The Gladiator" MOORE** stepped up and took on the huge role and shoes to fill that Big John left behind, and for the past six years, Joe has also done a really terrific job as **IHRSA President and CEO**. Importantly, all of you should know that the winners who helped Big John and Joe the Gladiator achieve such great success were **over 200 IHRSA Board Members** who donated their very *valuable time, energy and money* in their effort to serve the Association well and make IHRSA what it has become today: **The world's largest and most successful health and fitness club industry Trade Association with over 9,500 Member Clubs in over 70 countries and an Associate Membership with over 300 vendors.**

Looking back 32 years, all of us who served on the IHRSA Boards over the years, including *myself, who served in 1981 as I(H)RSA's First President*, benefitted by our Association having a very talented, quite amazing and extremely hard working man. His name? **RICK CARO**. I call the man, "**UNCLE RICK**," in honor of his relationship with our industry, and my son, **JUSTIN**, and I do so with great affection for a man who's helped more people as a *world-class club consultant* than anybody else in this industry. I cannot tell you all how excited I am that IHRSA has decided to honor Uncle Rick with its *first ever IHRSA Lifetime Achievement Award!* The man is an icon and a legend, and on top of that, Rick's a down-right good guy... a guy that, if you were a soldier at war and you had to be in a foxhole fighting for your life, you would want to have him in there fighting with you. You could look for a thousand years and not find any better thinker, planner or executor than Rick Caro.

And, Uncle Rick has been known to have an opinion or two. Haha! My son and I have been the benefactors of many of Rick's opinions, and looking back over my friendship with Rick since 1978, when we were both elected to the **National Court Club Association (NCCA) Board of Directors in Sarasota, Florida**, I honestly can't recall a single time when Rick's wisdom and clever thinking was not pretty much right on target. That's how good his mind is and how well he has done things for IHRSA and our industry. Thoughtfully. Carefully. With balance and weighing all factors before making recommendations



Norm Cates

or taking action. So, I, for one, will be one of those giving Uncle Rick a long and boisterous standing ovation when he's presented with IHRSA's first ever IHRSA Lifetime Achievement Award. I do hope very much that you and your Associates will be there on **Wednesday morning, March 20th**, when Uncle Rick will rightfully be honored, again, by IHRSA (Years ago Rick was honored with IHRSA's Distinguished Service Award before the Award was named after our long-time friend, the icon and the legend, "Mr. Enthusiasm" the wonderful man, the late **DALE DIBBLE**). I'll hope to see you all in Las Vegas!

•Speaking of **IHRSA's 2013 honors and awards**, also to be honored in Las Vegas are: **RON** and **SANDY Franco's Athletic Club** will receive **The Outstanding Community Service Award**; **RADKA** (See Norm's Notes Page 8)

## About Club Insider

**Established in 1993**  
*20 Years and Counting!*

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## ...IHRSA Awards

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efforts," added Moore.

Caro, a 40-year veteran of the health and fitness industry and two-term IHRSA Board member, has always been dedicated to the financial wellbeing of health clubs. He authored the preeminent industry textbook on Financial Management and educated thousands of industry professionals on the finer points of financial management at the IHRSA Institute, IHRSA Convention and other industry events. Caro was directly involved in creating the Industry Data

Survey and establishing industry financial benchmarks. He founded and currently moderates the Annual Financial Panel at the IHRSA Convention, uniting the health club industry and financial community.

Caro has been a club owner and operator, creating one of the largest club companies at the time, and has served as an industry consultant dedicated to the health club industry for the last 30 years. As President of Management Vision, Inc., a leading consulting firm specializing in the club industry, Caro has consulted with over 2,000 clubs, and provides management and financial expertise including feasibility studies, business plans, loan proposals, club

valuations, buying and selling assistance, operational analyses and financial acumen to club operators, real estate developers, hospitals, hotels, resorts, appraisers and to the courts as an expert witness.

Caro's past awards and recognition include Person of the Year and the Distinguished Service Award as one of the club industry's key leaders. He has been actively involved in voluntary and charitable organizations for over 30 years and served as a trustee of the Urban Business Assistance Corporation, a non-profit organization providing technical assistance to minority businesses in New York City. He also served on the Board of the New York City Sports Commission and Sports Development Authority. He has served as the Secretary-Treasurer of the American Council on Exercise and of Operation FitKids.

The Other 2013 award recipients are:

- Zumba Fitness will receive The John McCarthy Industry Visionary Award;
- Franco's Athletic Club will receive The Outstanding Community Service Award;
- Radka Dopitova Willson will receive The Julie Main Woman Leader Scholarship;
- Hoist Fitness Systems, Inc. will receive The Associate Member of the Year Award.

"On behalf of IHRSA and the entire industry, I sincerely thank each of this year's award recipients for their outstanding commitment and service to their communities, their customers, and of course, to the betterment of the health and fitness industry," said Joe Moore, IHRSA President and CEO. "Each of these IHRSA members embodies the dedication it takes to truly make a difference in our world."

### The Industry Visionary Award

The John McCarthy Industry Visionary Award is presented to an individual or company who has made an unprecedented or unique contribution to the advancement of the club industry as a whole. On Thursday, March 21st, IHRSA will honor Alberto Perez, Alberto Perlman and Alberto Aghion, Founders of Zumba Fitness.

Visionaries do not come around that often, and Zumba Fitness, Inc., Magazine's Company of the Year for 2012, certainly fits the bill. Founded in 2001, the company is now the largest branded fitness program in the world, with 14 million people taking classes on a weekly basis in over 140,000 locations across more than 180 countries. Zumba Fitness' unique business model has revolutionized not only exercise and dance fitness but how music and fitness are conceived, produced and delivered. Zumba has also become a fundraising powerhouse, raising millions for charitable events worldwide, including the 3rd Annual Zumbathon for Augie's Quest to cure ALS, taking place 7PM to 9PM on Wednesday, March 20th.



Rick Caro

### The Outstanding Community Service Award

The Award for Outstanding Community Service is given to an individual or group who has made a longstanding commitment to making a difference in, and beyond, their community. This award will be presented to Ron and Sandy Franco, owners of Franco's Athletic Club in Mandeville, Louisiana, on Wednesday, March 20th.

When it comes to working with charities and causes, the Franco's have a simple rule: To never say 'NO.' Countless examples of this rule are evident all across their community. Over the past 25 years, the club has raised over \$1.5 million for charitable organizations. In addition to donating memberships and services to school fundraisers, for the past 20 years, the club has donated swimming pool services and free swim lessons to special needs children for mental and physical stimulation therapy. Franco's Athletic Club is also a leader in providing meaningful employment to those with disabilities, as well as discounted memberships to public service employees such as police, fire, Coast Guard and military personnel. For the six months following the destruction of Hurricane Katrina, Franco's Athletic Club was a host site for the National Guard and housed volunteers helping with recovery efforts.

### The Julie Main Woman Leader Scholarship

The 5th Annual Julie Main Woman Leader Scholarship will be awarded on Thursday, March 21st to Radka Dopitova Willson, M.Ed., M.S., a fitness specialist at The World Bank Fitness Center in Washington, DC. This scholarship is awarded to a female who exemplifies what Julie Main stood for: Courage, perseverance, excellence, and professionalism with significant contributions to the industry and their community.

Radka Dopitova Willson is this description personified. A native of the Czech Republic, Radka pursued and won (See IHRSA Awards Page 7)

## JLR Associates

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### ...Massachusetts Law

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found that all of the clubs surveyed failed to display membership prices and fees as mandated by state law.

The survey was conducted from December through January, the time when many health clubs are offering special deals. Investigators used information from company websites, phone inquiries and in-person visits. Investigators visited 15 fitness clubs in the greater Boston area to check for price signage, ask about rates and fees and look at cancellation policies. Follow-up calls were made to obtain additional information not given during the visit.

"This is the busiest season for new health club memberships, with people trying to stick to their New Year's resolutions," said Undersecretary Barbara Anthony. "We want to make sure that, as with any other product or service you buy, consumers are aware of their rights and told the price and terms and conditions before signing any contracts. Our survey shows that health club consumers, through no fault of their own, may not know how much they'll be paying."

The survey found that, in addition to failing to post membership prices, none of the locations surveyed adequately displayed a consumer's 3-day right to cancel health club contracts. In many instances when investigators asked for this information, they were provided with an incomplete list of prices on a sheet of paper or were only told the information verbally.

In addition to *posting the right to cancel on the premises of the health club*, notice of these rights *must be included in the contract*. Investigators were able to obtain only two of the 15 contracts because customer service representatives

would not provide a contract unless the investigator agreed in advance to sign up with customer service representatives. It appears that many club representatives were employing high-pressure sales tactics to obtain memberships on the spot. It also appears that not all clubs included the required cancellation notice in their contracts. Under Massachusetts state law, any health club contract that does not comply with the state's requirements for health club contracts is void and unenforceable.

The survey also found that, in addition, to monthly or annual dues, additional fees were charged at some of the clubs such as:

- Enrollment fees ranging from \$25 to \$149. These fees are charged at the start of membership and are usually a one-time only fee in addition to annual monthly membership fees.

- Rate Lock Guarantee fees ranging from \$39 to \$49.99. Some clubs advertise this annual fee as an option to allow consumers to lock into their original membership rate.

- Annual fees ranging from \$39.99 to \$50. An annual fee is charged in addition to pre-existing membership fees once annually.

- Termination fees ranging from \$59 - \$199. These fees are charged to cancel the contract and are applied under various conditions.

"Signing a contract for a health club should not resemble the old stereotype of purchasing a used car," said Undersecretary Anthony. "The law requires complete up front disclosure of all prices and material terms and conditions. We found some troubling transgressions

during the course of our investigation and will refer all alleged violations to the Attorney General's Office."

Under Massachusetts law, a health club must clearly post all of its courses and prices, discounts, sales and offers. The club must also post a consumer's 3-day right to cancel on the premises of the health club.

Massachusetts consumers have a 3-day right to cancel a health club contract. To cancel, a consumer must deliver written notice of the cancellation, in person or postmarked by certified or registered United States mail, within three business days of the contract date. All money must be refunded within 15 days of the club's receipt of the cancellation notice. However, the club has the right to retain a portion of the total contract price for services or facilities used prior to cancellation.

A consumer may cancel a health club contract for a refund outside of the 3-day grace period only for the following reasons:

- You move your residence or your place of employment more than 25 miles from any health club operated by the seller, or a similar club that will accept your membership;

- Upon a doctor's order, you cannot physically or medically receive the services because of significant physical or medical disability for a period in excess of three months;

- The health club services promised are not available due to: Failure to open a planned health club or location, closing of a health club or location, or substantial change in the operation of a health club or location;

- In case of your death.

The club has the right to retain a portion of the total contract price for services or facilities used prior to cancellation. Cancellations outside the grace period for other reasons are not entitled to refunds and may be subject to additional cancellation fees. According to the survey, cancellation fees were as high as \$200, while others charged a percentage of the membership. Some locations did not charge any cancellation fees, and many locations did not charge cancellation fees for month-to-month memberships. Clubs are not permitted to charge cancellation fees for cancellations made in accordance with the reasons above.

Before signing a health club contract, be sure to check the club's reputation with the Better Business Bureau and Attorney General's Office, and make sure to visit the location. While touring the gym, consumers should:

- Look for signs that give information about the 3-day right to cancel;
- Look for signs that post the clubs' prices;
- Ask club members about the club;
- Inspect the club for cleanliness and the condition of the equipment;
- Visit during the times you would normally use the facility to determine if it is crowded during that time;
- Ask if the club has CPR equipment, defibrillators and staff trained to use the equipment;
- Inquire about the training qualifications of the staff;
- Determine what services are included with a membership and what costs extra;
- Read the contract carefully before signing and make sure you know all terms of the agreement.

### ...IHRSA Awards

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a Hall of Nations Scholarship to attend American University in Washington, DC, where she earned her Master's Degree in Health and Fitness Management. Like Julie Main, Radka is also a breast cancer survivor who has developed a reputation in her community for touching the lives of cancer survivors through her cancer wellness programs and training. One of the programs Radka developed is "Strong Women Enjoy Life," an osteoporosis prevention program that teaches women the correct techniques and benefits of strength training and nutrition, introducing exercise to many women who had never stepped inside a gym before.

#### The 2013 Associate Member Of The Year

The Associate Member of the Year Award, presented on Tuesday, March 19th, honors an Associate Member for its outstanding contribution to IHRSA and the

fitness industry. HOIST Fitness Systems, Inc., an IHRSA member for 21 years, was selected for their decades of outstanding achievements, innovations and support of the global health and fitness industry, as well as their unwavering support of IHRSA, its members and its mission through program and event participation, advertising and sponsorship.

In 2012, HOIST Fitness demonstrated their commitment to fostering global industry growth by becoming the founding sponsor of IHRSA's inaugural Latin American Report, supporting trailblazing research to provide insight into a region where credible data was lacking.

"We are very excited about this prestigious acknowledgement," responds HOIST CEO, Jeffrey Partrick. "This is a great honor, and HOIST greatly values the

relationship it's developed with IHRSA and its members over the years." HOIST Fitness Systems, Inc., based in Poway, California, produces strength-training and indoor cycling products for commercial and home markets.

The IHRSA Awards Program seeks to "recognize, celebrate, and inspire." For more information about IHRSA's annual industry awards, including prior recipients, please visit [www.ihrsa.org/awards](http://www.ihrsa.org/awards).



...Norm's Notes

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**DOPITOVA WILLSON** will receive **The Julie Main Woman Leader Scholarship**; **Hoist Fitness Systems, Inc.** will receive **The Associate Member of the Year Award**; and **Zumba Fitness** will receive **The John McCarthy Industry Visionary Award**. Congratulations in advance to all of these winners, including Uncle Rick Caro!

• **CONGRATULATIONS** to **CHRIS PACIFICO** and the entire **Eclipse Fitness Team** in **Green Brook, New**

**Jersey** that was involved in saving a life recently. Here's the story contributed by Chris:

On February 6th, ironically during the celebration of Healthy Heart Month, a member at **Eclipse Fitness** in **Green Brook, NJ** became unconscious on the club's basketball court. Member, **KEN GIACOMINI**, age 60, who had just joined the club a week earlier, had just sat down on a bench after shooting around with other members. Moments later, he felt dizzy, fell to the floor and passed out. A member ran out of the basketball court and immediately found one of our fitness trainers, **DIANA**

**HUIE**, and a member, **ANN YEAGER** (a local nurse). Diana and Ann made him comfortable on the floor and began to monitor his breathing. Within seconds, his breathing stopped, and the trainer and the member began CPR. The club's general manager, **BILL LEMANSKI** was on the scene as well and began following the club's emergency procedures: 911 was called, the club's AED was brought to the scene, a club announcement was made for any other emergency personal to report to the basketball court and the member's emergency contact was called. An off-duty police officer, **MICHAEL KELLY**, and another nurse, **CORINNE GREGOR**, heard the announcement and came on the scene to be of assistance to the club's staff. After only a couple of precious minutes and no response to CPR, the group attending the victim decided to use the AED and applied one shock. The AED worked immediately, and the new member, Mr. Giacomini, began to breathe again. Moments later, **EMT** arrived at the club and rushed him to **Somerset Medical Center**. As Mr. Giacomini was being taken out of the club, he regained conscious and asked, "What happened?" Mr. Giacomini had quadruple bypass surgery last week and is recovering well. "It's a great story, from the member and his wife joining the club on January 31st because they felt they needed to be more active, to the incredible response from our staff and members makes you realize this is the best industry in which to be a part," commented Bill Lemanski. The medical personal who attended Mr. Giacomini indicated that, if this incident would have happened anywhere else, the result most likely would have been terrible. These reports continue to come in from you great pros who have had the challenge and delivered life back to fallen members all across the country. I know you are all ready for such emergencies 24/7, or as some say, 31.

to all involved and especially to Mr. Giacomini and his wife as he should enjoy a dramatically improved life after his heart surgery. If stories like this one, and the one that follows, do not make you proud of our industry, nothing will. The next Note is also a story that must be told!

• **AED used to save man's life at local health club.** They aren't required to use them, but one local health club did and ended up saving a man's life. **Midtown Athletic Club** in **Rochester, N.Y.** used an Automatic External Defibrillator, also known as an AED. State law requires New York health clubs to have them, but a new ruling says employees aren't required to use them. But, one man is glad they did. He almost died after going into cardiac arrest on a treadmill. That AED was used to jumpstart his heart. **BOB MCKERNAN, Club Manager**, says they were the first in the area to get AEDs. They have three of the devices on their gym floor right now. Even though the new ruling says they don't have to use them, every employee at the club must be properly trained. McKernan said this is why, "It could happen to anybody. Anybody can have a heart incident and stop breathing. I'm still emotional about it just thinking about the consequence."

McKernan keeps a good eye on members at the Midtown Athletic Club. So, when New York State ruled health club employees were not required to use AEDs, he knew right away it would not change anything at this gym. McKernan said, "It would never come into our mind to have that piece of equipment and not put it to use. **DR. JOAN THOMAS** said, "It makes all the difference in the world, and in this case, it did make the difference." She was one of the people who used an AED to help save the man. She said, "CPR doesn't always work." She added, "Definitely, I think the defibrillator was the difference maker in the outcome here. I thought if we didn't do CPR and shock him, he was not

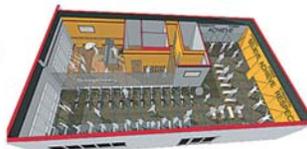
Again, **CONGRATULATIONS**

(See Norm's Notes Page 10)



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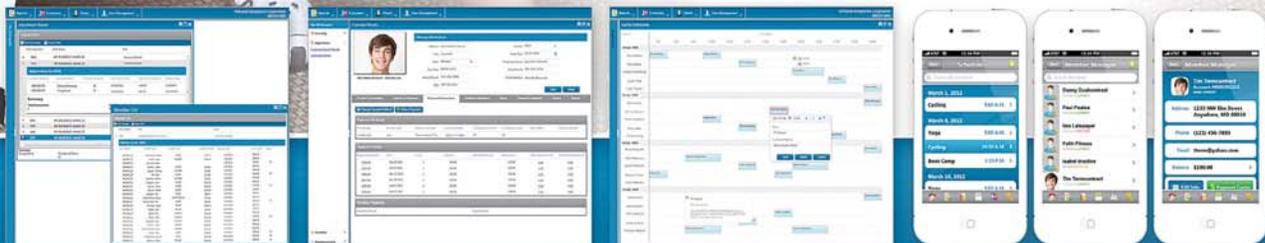
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## ...Norm's Notes

continued from page 8

going to make it." McKernan says the man was an elderly man, but he was in very good shape. He's been a member for a very long time, and he frequents the gym several times a week. So, this was very surprising to gym employees. The man is still in the hospital, but he is improving. Dr. Thomas says it usually takes a few days to recover from something like this." **CONGRATULATIONS to Bob McKernan and Dr. Joan Thomas!**

• I routinely watch **Shark Tank**, the reality TV show for entrepreneurs that features five mega-buck people sitting side by side watching presentations of up and coming business entrepreneurs who are seeking cash investments from one or more of the Sharks. From that show, I bring to your attention the newest exercise tool for clubs called **SurfSET**. This item is fresh from the Shark Tank show a few months ago, with an update aired March 1st. SurfSET is a mockup surfboard set up so that the exerciser can actually simulate many of the normal surfer's moves. It looks like terrific exercise when in action. SurfSET was invented by **MIKE HARTWICK** and **SARAH PONN** who were on the Shark Tank show a few months ago seeking a **\$150,000** investment for a **10% stake in the company**. There was a lot of interest from the Sharks, as three out of 5 on the panel took the bait, but only one, billionaire **MARK CUBAN**, owner of the **NBA Dallas Mavericks**, ended up **partnering with SurfSET for \$300,000 for a 30% stake**. On the March 1st episode, Hartwick and Ponn announced that, with the money, they were able to scour the country and certified numerous trainers. Since the beginning, with the help from Mark Cuban, **SurfSET** has signed a deal with **Crunch Fitness** to offer the class at its locations. Also, the pair told the panel that **they are on track to make \$5 million in sales in one year, so they are truly off and running! No, off and Surfing!!!** I'm not much for suggesting how you spend your hard earned money, but I believe this one is going to be very big. **SurfSET** will be at the **IHRSA Trade Show Booth #2107**.

• My pal, **FRANK O'ROURKE** of **StairMaster**, informed me that the fundraiser for the family of **SCOTT DENNIS** has been set for **June 7 - 8, 2013**. Go to **www.SD44fund.com** for info. The fund is intended to provide educational capital for Scott's two children, son **MAX**, and daughter, **TATUM**. If you can't make the trip, you can still chip in to help the kids' future by sending a check to: **Equity Bank c/o 44 Fund: Scott Dennis Foundation, 555 North Webb Road, Wichita, KS. 67206**. God bless Scott, and his children, and may he **Rest In Peace**.

• **MAGGIE BRITVEC**, the **Corporate Sales and Outreach Director** for

the **Mount Vernon Athletic Club** in **Alexandria, Virginia**, has announced that the long-running, 40+ year old club has acquired and launched the latest technology in fitness, **Fitness on Demand**, and is the *only health club* in the DC Metro area currently offering this program. Fitness on Demand provides an option for taking group exercise classes when no actual class is scheduled. The class you choose to take is your personal option, in the timeframe that works for you. Classes can be taken individually or with a group. "This program is perfect for the busy parent, the workaholic employee or anyone who can't make scheduled instructor-led classes," said **MTVAC General Manager, AARON VOLBRECHT**. "Now, there's no need for taking hours out of your day. Just choose a class, push a button and get fit!" All classes are designed by accomplished fitness professionals who are highly motivated. Class lengths vary. Choose from cycling, Zumba, pilates, kickboxing and many others. A 15-foot screen has been installed in the group fitness room to accommodate the technology. A kiosk allows the member to choose their class and the length of time. In a matter of seconds, they can then be **cycling through the Pyrenees!** Thanks for sharing your club news, **Maggie!**

• **AUGIE NIETO** won't be the only celebrity in attendance at the **8th Annual BASH for Augie's Quest**. **PAT MONAHAN**, lead singer for the **Grammy Award-winning band Train**, and **CNN anchor SUZANNE MALVEAUX** will be the entertainment and emcee, respectively, during the popular **Augie's Quest Muscular Dystrophy Fundraiser**. The event will take place during **IHRSA's 32nd Annual International Convention & Trade Show on March 21** at the **Mandalay Bay Resort & Casino in Las Vegas**. **IHRSA** is the presenting sponsor. Cocktails are at 6PM, and dinner and entertainment begin at 7:30. Las Vegas cocktail attire is required. Augie was diagnosed with ALS in 2005, and ever since, he and his wife, **Lynne**, have partnered with the **MDA** to form **Augie's Quest**, which supports fast-track, innovative research seeking effective treatments, and ultimately, a **cure for ALS**. **ALS**, also known as **amyotrophic lateral sclerosis** or **LOU GEHRIG's disease**, is a severely progressive disease of the motor neurons that can become life-threatening in only a few years after diagnosis. "I'm proud once again to answer the call of my friends, Augie and Lynne Nieto, who I consider to be true heroes," said **Monahan**, who performed at the **2008 BASH** as well as on the **MDA Labor Day Telethon**, in a press release. "It's humbling to be part of something that is destined to make a difference for so many families affected by ALS." Augie and Lynne Nieto expect another well-attended and exciting night. Last year, close to 750 people attended the event in Los Angeles. "The 2013 BASH is going to be a blast, an unforgettable evening of fine dining, dancing and superb

entertainment," said Nieto. "My not-so-humble goal is to surpass last year's total of \$1.6 million. We need to stay on track and build upon the progress we've already seen in ALS research. We can do it, because we have the best friends and allies in the world helping us." **AMEN, Augie!** There will also be live and silent auctions. For more information and tickets, please visit **www.augiesquest.org/bash**.

• Best wishes to **ANDY GRAHAM** and **JUSTIN TILLINGHAST** as **Technogym North America** opened an office on the east coast, in **Fairfield, New Jersey** on January 1st. Their purpose is to increase their presence and **customer support in North America, and to achieve that, they have hired Andy and Justin as Regional Business Developer, South East and Regional Business Developer, North East**, respectively.

• I received a phone call in early March from my long-time old friend, **DOUG MILLER**, formerly the Co-Founder of **Sales Makers USA** with **RAY GORDON** and operating in Europe since 1994 as **Sales Makers International**. Doug is based in **England** and contacted me to tell me about the upcoming **FIBO Show** to be held in **Cologne, Germany, April 11 - 14, 2013**. They're expecting over **80,000 people from more than 100 countries to attend**. They also expect **650 exhibitors**. On the evening of **April 11th**, there will be a private **Invitation Only Networking Party** (with over 500 European club owners attending) to be held in the **Olympia Museum** with a beautiful view on the **Rhine River with free food and drinks**. If you're interested in attending this event, you can get more details at **www.fibo.de**. Please contact **Doug@salesmakers.com** to arrange for **Free Show VIP passes and an Invitation to the Networking Party**.

• **Last Minute, Late Breaking News!** This is a copy of the report filed March 6th

in **Club Industry Newsbeat** by **Executive Editor, STUART GOLDMAN**. The entire credit for this report goes to Club Industry's **excellent writer, Stuart Goldman**. And, I quote Goldman now:

"Thomas Kulp, who served as an Executive Director at Universal Athletic Club in Lancaster, PA, was charged last week with stealing more than \$200,000 between 2006 and 2012. Manheim Township (PA) police charged Kulp with three felony counts and two misdemeanor counts of theft by deception and one felony count of theft of services. He was arraigned last Wednesday before a district judge. Kulp's attorney, Nick Ermolovich, confirmed the charges and arraignment to Club Industry. Ermolovich says Kulp intends to "vigorously defend" himself. "Tom has assembled and will continue to assemble a pretty robust team to help him that will include other attorneys besides myself," Ermolovich says. "We intend to engage other professionals who will be experts in the field to provide other perspectives as compared with the allegations. We feel pretty confident that when witnesses are required to testify under oath... that Tom will successfully defend himself." Universal Athletic Club has not made a public statement about Kulp and the charges. Kulp is a former columnist with Club Industry magazine and has spoken internationally, including at Club Industry conferences. He worked at Universal Athletic Club for 16 years from 1997 until 2012 and served as one of the club's executive directors from 2004 until 2012, according to a report on **LancasterOnline.com**, the digital edition of **Lancaster Newspapers**. Kulp was fired on February 22, 2012, LancasterOnline.com reported. After leaving the club, Kulp became the director of Solution Consultants. Kulp deferred comment on the case to his attorney. Ermolovich said Kulp is living in New Mexico and works for another employer, although he did not (See Norm's Notes Page 16)



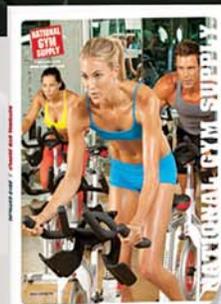
(L to R) Joe Moore, Augie Nieto and John McCarthy at the 2012 Bash for Augie's Quest

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## ...Terry Dezzutti

continued from page 3

merits of the service. With an industry that has eclipsed 30,000 locations across various niches, one would think that we are immune to a rogue operator that flies in the face of these principles, but we are not. One rogue operator in any given State can literally destroy the credibility of the entire industry within that State, and surrounding ones, especially if the one wronged has any connection to or sway within the State Government. IHRSA helps greatly with its near flawless record with Public Policy efforts, but in the end, it comes down to the self-purification of our ranks.

One of the most effective ways of completing such a seemingly difficult task is by instilling the right values in those coming up in the industry, and the key to that is with ethical leadership and the communication of *WHY* things are done the ways in which they are done. Industry leaders like Terry Dezzutti, who do not keep their knowledge and experience within their club organization but share it with others are crucial to the future development of our ranks, and thus, our industry as a whole.

This month, **CLUB INSIDER** is proud to present an interview with Terry Dezzutti.

### An Interview With Terry Dezzutti

**CLUB INSIDER (C.I.)** - Where were you born and raised? Where did you attend school?

**Terry Dezzutti (TD)** - I was born and raised in Endicott, New York, sometimes referred to the "Southern Tier" of New York State. I attended Union-Endicott High School and graduated with a BSE degree from The State University of New York at Cortland.

**C.I.** - Please tell us about your family.

**TD** - I have two children. My son, Anthony,

is 29 and serves in the Air National Guard. He works full time at L3 in Baltimore as an airplane Mechanic. My daughter, Brianne, is 26 and works as a Senior Account Executive at Lane Communications Group in New York City.

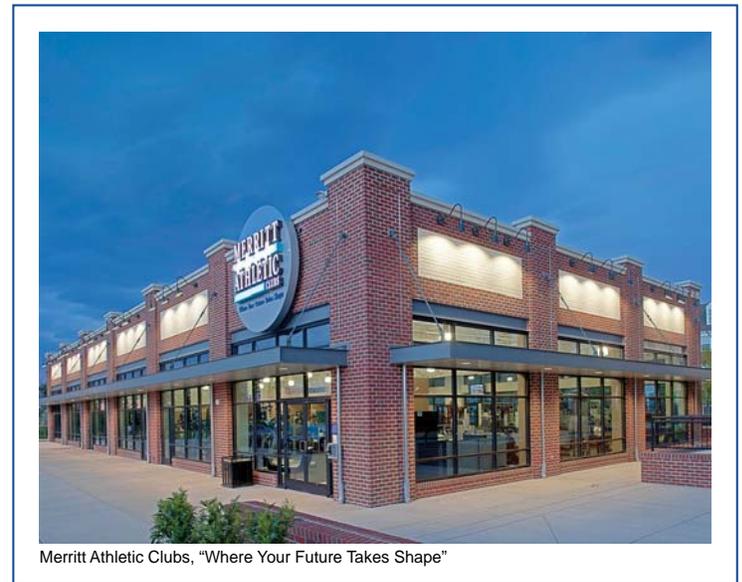
**C.I.** - When and how did you get started in the health and fitness club industry? Please tell us about the various leadership roles that lead up to your current position as Chief Operating Officer of Merritt Athletic Clubs.

**TD** - Directly after college, I worked part-time jobs teaching physical education in a catholic middle school and taught tennis and racquetball at the Broome Racquet Club and IBM Country Club. After two years, I accepted a full time management position at the Broome Racquet Club West in Johnson City, New York.

In 1981, I was recruited by the Denver Sporting Club as Athletic Director and was quickly promoted to Membership Director. There, I worked under the tutelage of Rick Erdenberger, who taught me about systems and leadership. While at the Sporting Club, I met Curt Beusman who was coming back from the first ever IHRSA Conference. In 1982, I went to my first IHRSA conference and have not missed one since.

In 1983, I took a job with Mark Borough Properties in Boca Raton, Florida and opened their real estate amenity club called The Boca Pointe Fitness and Racquet Club. There, I served as General Manger. I worked under country club guru, Robert Fordham, and learned much about financials and food and beverage. In 1986, I was recruited by Arvida, which, at the time, was the largest home builder in the South. There, I opened another real estate amenity club called The Athletic Club at Weston. This 12-acre super club was an immediate success.

In 1989, I was hired by Bob Gaiser. Bob taught me how to treat each department as its own profit center and accountability. Together, in one year,



Merritt Athletic Clubs, "Where Your Future Takes Shape"

we made the Inverness Club in Denver profitable for the first time. Late one evening shortly thereafter, I found a fax on the fax machine and learned that the clubs had been sold. I then reached out to another great industry mentor, John McCarthy.

John introduced me to Steve Kass, and I ended up working as Senior Vice President for American Leisure Corporation in New York City for six years. This position gave me great insight into hotel, residential and medical facilities and an opportunity to travel doing membership sales consulting. In 1996, I was contacted by a headhunter upon a referral from John McCarthy and was introduced to Leroy Merritt.

**C.I.** - When and where did Merritt Athletic Clubs begin? I understand that the gentleman who founded Merritt Athletic Clubs passed away not long ago. Tell us about him, please.

**TD** - Leroy was a very successful developer in Baltimore, Maryland. His real estate and development company, Merritt Properties was growing, and he was seeking someone to help grow four tiered racquetball clubs that he owned. We got along famously. He was a very motivational leader and true to his word. He loved new ideas and brought out the best in me every day.

The Merritt Athletic Club story began in 1977 when Leroy Merritt built the Towson Court Club, a workout facility with twelve racquetball courts. Member

John McCarthy, now retired and referred to as IHRSA's Executive Director Emeritus commented about Terry, "Strategically and tactically, Terry is a 'natural.' Always focused on what's most important, he has a record of achievement that is as admirable as it is enviable."

response was so overwhelming that the club underwent two expansions in the first year of operation. Two more clubs were developed over the next three years to accommodate the growing interest in fitness and racquetball throughout our region.

Leroy passed away in 2010, but his legend still serves as the culture for our Merritt family. He is survived by his nephew, Scott Dorsey, and son, Rob Merritt, who lead the still-growing real estate business. Merritt Properties is one of the largest companies in Maryland, and its scope includes buying land, construction, leasing and property management.

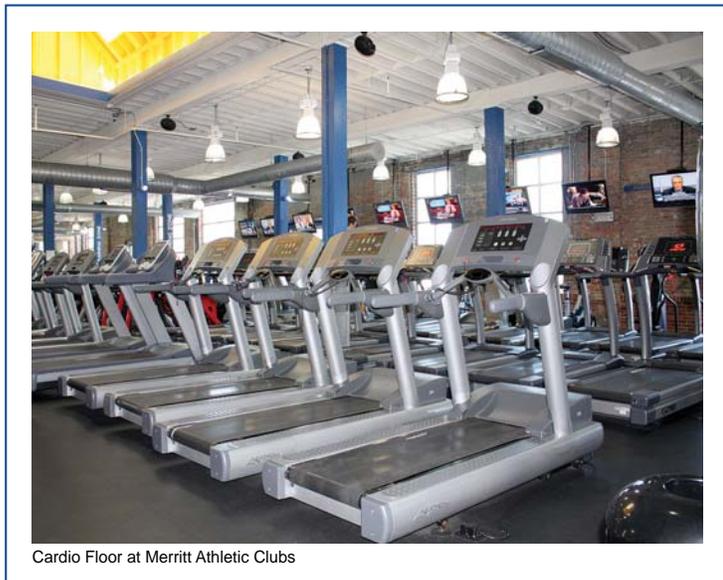
**C.I.** - How many clubs are there now and how many total members does the company have?

**TD** - Today, we have nine locations and over 30,000 members.

**C.I.** - Please describe a typical Merritt facility (square feet, amenities, services, etc) and the site selection taken into consideration for a new location. What are your price points?

**TD** - Our typical facility is a 50,000 to 75,000 square-foot lifestyle center with lap and warm water recreational pools, group

(See Terry Dezzutti Page 14)



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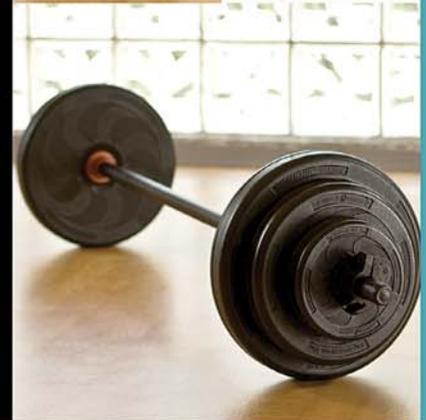
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### THE COLLARS

- ▶ Quick release tab for convenient loading and unloading of the bar
- ▶ Will not scratch or damage the bar

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- ▶ Durable powder-coated steel construction
- ▶ Holds up to 8 of the 10 kg weights



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## ...Terry Dezzutti

continued from page 12

exercise, fitness, racquet sports, basketball, kids' zones, pro shops and juice bars. We lease space to tenants who offer services that complement ours, such as massage, physical therapy and food and beverage.

Our blended dues average is \$77 per month for a single membership.

**C.I.** - What are the MAC's key differentiators within the markets they serve?

**TD** - We offer a results guarantee when you join that allows you to get all your money back if you have not seen results in your first six weeks. To qualify, we request that you meet with one of our health consultants, show up for your first training appointment and come in twice per week. The goal is to enhance people's lives by creating welcoming environments and enriching experiences for our members and guests. We also provide towels, your guest's first visit is free and have food and beverage.

**C.I.** - You have now branched off into different club arrangements and management services. Please tell us about that.

**TD** - We have taken our services outside the traditional club walls with Merritt Club Management. As of today, we manage three corporate sites and two summer pools. In addition, we sell equipment and have recently designed a golf fitness-training center for a local country club.

**C.I.** - What are some of the partnerships, sponsorships and strategic alliances Merritt has created?

**TD** - Our experiences have taught us to build long-term relationships and be easy to do business with. We have many partnerships, including: ACE, Baltimore Ravens, Les Mills, Michael Phelps Swim School, Cybex, Precor, Life Fitness, Physiotherapy Associates,

Pepsi, Playworks and the American Heart Association to name a few.

**C.I.** - Who are your key staff members? Please tell us about their tenure at the MAC.

**TD** - Many Merritt employees have worked their entire careers with us but none longer than **Mike and Mary Linkous, who have each been with our company over 30 years.** Other key staff members include:

**Mark Miller**

*Vice President of Operations (13 years)*

**Frank Actisdano**

*Business Manager (8 years)*

**Donyel Cerceo**

*Marketing Director (8 years)*

**Janis Royston Brown**

*IT (25 Years)*

**Maria Miller**

*Programs (9 years)*

**Jesse Anderson**

*IT (10 years);*

**Irv Banks**

*Sales (2 years)*

**Chris Palmer**

*Personal Training (3 years)*

**C.I.** - What is in the future for Merritt? Where do you hope to see the organization in five to ten years?

**TD** - Our goal is to be five-star lifestyle clubs that are community centers for the local market. Our mission is to be "The best part of our members day, everyday."

**C.I.** - What is biggest challenge that is ahead for MAC?

**TD** - To evolve as a vibrant values-driven company, separating us from our competition. To continue to update and  
*(See Terry Dezzutti Page 16)*

## Merritt Athletic Clubs' Awards and Recognitions

### 2011

- Ranked Top 50 in Club Industry "Top 100"
- Merritt Athletic Clubs voted "Future 50" by Smart CEO
- Voted "Top Aquatics Programs in the US" by Water Fitness Association
- Voted "Best Fitness class" Baltimore Magazine

### 2010

- Ranked Top 50 in Club Industry "Top 100"
- Merritt Athletic Clubs voted "Future 50" by Smart CEO
- Voted "Best of Carroll County"
- Voted "Best Health Club" by Baltimore Magazine
- Voted "Top Aquatics Programs in the US" by Water Fitness Association
- Voted "Best Gym" by City Paper

### 2009

- Ranked Top 50 in Club Industry "Top 100"
- Merritt Athletic Clubs voted "Future 50" by Smart CEO
- Voted "Best of Carroll County"
- Voted "Best Health Club" by Baltimore Magazine
- Voted "Top Aquatics Programs in the US" by Water Fitness Association
- MACMA Award

### 2008

- Ranked Top 50 in Club Industry "Top 100"
- Merritt Athletic Clubs voted "Future 50" by Smart CEO
- Voted "Best of Carroll County"
- Voted "Top Aquatics Programs in the US" by Water Fitness Association
- MACMA Award

### 2007

- Ranked Top 50 in Club Industry "Top 100"
- Merritt Athletic Clubs voted "Future 50" by Smart CEO
- Ranked "#1 largest Fitness Center Operations" in the Baltimore area by the Baltimore Business Journal
- Merritt Athletic Clubs voted one of "The 50 Fastest growing Companies" by Smart CEO
- Awarded MACMA "Award in Excellence"
- Voted "Top Aquatics Programs in the US" by Water Fitness Association

### Other Recognitions

- Terry Dezzutti (COO) voted as finalist for Ernst & Young Entrepreneur of the Year Award
- Merritt Annapolis voted Best Racquetball Club
- Merritt Athletic Clubs voted "Best of the Best" award by the Get Fit Maryland program by Club Industry Magazine.
- Voted Fitness Management's "Winning Innovations Nova 7" award for Get Fit Maryland program by Club Industry



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### ...Terry Dezzutti

continued from page 14

improve our culture with employee training programs and systems which add consistency and clarity. To develop tomorrow's club leaders and careers for our 600+ employees.

**C.I.** - If MAC were to have a big win in 2013, what would it be?

**TD** - Big wins for our Merritt team come in many forms. Primarily, we will continue to grow our current clubs as planned. In 2013, we are building a new outdoor family fun pool at our Towson location, a new 10th location in White Marsh, Maryland and the rollout of our Total Health Solutions, a connected health platform that allows the user to track data such as physical activity, medical diagnoses, biometrics, health risk data, and ultimately, form an electronic medical record.

**C.I.** - Having been a conference presenter at both IHRSA and Club Industry, please comment on the importance of continuing to develop skills and relationships outside of the club by attending conferences, seminars, network groups, etc.

**TD** - These shows always got me more excited to be in this industry. I was a conference presenter from 1986 - 2006. It was a great experience, and I was able to

use the shows for new business, networking and idea exchange, which really helped to promote and grow our business.

**C.I.** - You have been a member of a club executive roundtable for years. Could you provide one idea that you learned from your group and implemented?

**TD** - I have been a happy REX Roundtable Club Group #3 Member since 1996. I learned about *open book management* early on and have shared financial information with our key staff for years very successfully.

**C.I.** - Where do you see our industry heading into the future?

**TD** - With the Affordable Care Act taking effect in 2014, I see great opportunity in assisting companies manage the health of their employee population. We have a unique ability to assess total population health risk through some of our partnerships. Our goal is to approach corporate wellness as total health managers by using our fitness coaches to teach, assist, and ultimately, improve an individuals' health. When we have the opportunity to do this on a mass level, we can help harness the rising trajectory of health care costs for employers.

• • •

Thank you very much to Terry Dezzutti



Water Park at Merritt Athletic Clubs

for his time and contribution to this story, as well as his years of service to the industry. Additionally, a special thank you to Lisa Roulette, Donyel Cerceo and John McCarthy for their time and contributions.

(Justin Cates is the President and Assistant Publisher of CLUB INSIDER and grew up in the health, racquet and sports club industry. Justin was born into a club

business family in 1985, and from the age of eight, he spent his non-school and sports hours in a home which doubled as CLUB INSIDER Headquarters. Now, he is an integral part of the "Story" of Norm Cates and CLUB INSIDER. Justin may be reached by phone at 770-595-6086 or email at Justin@clubinsideronline.com)

### ...Norm's Notes

continued from page 10

provide further details. According to a Manheim Township Police Department press release, Kulp manipulated payroll and utilized business accounts to obtain funds and services for his own personal benefit. LancasterOnline.com reported some of the details derived from the complaint in the case as follows:

•An internal audit found that, from January 2005 until February 2012, Kulp gave himself commission and bonus overpayments totaling \$180,654.34.

•From 2009 until 2011, Universal Athletic Club's Fitness Club Consultants program, which was headed by Kulp, reported overpayments of \$12,810.88.

•From 2010 until 2012, Kulp used a company credit card to make \$9,865.91 in unauthorized personal purchases.

Kulp is also accused of setting up a PayPal account for Universal, according to the newspaper, to collect payments for online sales, then using money paid into that account to make \$1,792.47 worth of unauthorized personal purchases. Kulp was released last week on \$100,000 bail. LancasterOnline.com reported. A preliminary hearing has been scheduled for early April, Ermolovich said.

Thanks to STUART GOLDMAN and Club Industry Magazine's Newsbeat online news.

•Looks like the health club industry is going to the **DOGS! HaHa! NOT... really**, even though we have **DOGS like the alleged thief in Pennsylvania, now residing in New Mexico, THOMAS KULP; the felon and now out of control health club operator, STEVE BORGHI; the wild and wooly former PowerHouse Gym owner/operator, SHANE FRANKLIN; and mailing list stealing and unethical former club developer/operator, BRIAN HOMAN, are still out there.**

This Norm's Note, however, is about a health club in **Hollywood, California** called the **Zoom Room** that's owned and operated by **MISS JESSIE SIMON. The Zoom Room** offers workout classes for dogs and their people. Together. They charge **\$120 for four classes and \$265 for ten classes.** According to the **AJC Newspaper Report** published on **March 7th**, the **Zoom Room** now has franchises around the country.

•The **Triumph Group Management Partners** are on the move in **Raleigh, North Carolina.** The **Triumph Group Management (TGM), www.tgmfit.com**, is an operations and management service company for more than 80 fitness centers on the East Coast, and they have just announced they are **now providing personal training staffing, gym management consulting and sales training for nine Aspen Athletic Clubs** in **Nebraska, Kansas and Missouri.** TGM is responsible for recruiting certified personal training staff for Aspen Athletic Clubs and

offering management consulting as well as sales training for the fitness center. TGM provides Aspen Athletic Clubs with a sales tracker that gives visibility to the gym's sales ratio in order to enhance its efforts in recruiting and membership retention. Aspen Athletic Clubs was created more than 15 years ago with a tradition of commitment to excellence that's now practiced at nine club locations. Its amenities include all of the latest cardio and strength training equipment along with dynamic group exercise programs that include classes such as yoga, group cycling, Zumba, muscle endurance training and Pilates.

•Some folks may not know that CLUB INSIDER is a **Paid Subscription-based Publication.** Are you a **Paid Subscriber?** If the words **PROMOTIONAL COPY** appear above your name and address on the cover of this month's edition, you are **not a Paid Subscriber**, and you are not enjoying the full benefits of a **Paid Subscription to CLUB INSIDER.** So, don't delay! Subscribe today for just **\$89**, which gives you nine

years of CLUB INSIDER (one year of new editions and eight years of archived editions or **\$149** which gives you ten years of CLUB INSIDER (two years of new editions and eight years of archived editions by going to [www.clubinsideronline.com/subscribe!](http://www.clubinsideronline.com/subscribe!)

•God bless all of our troops, airmen and sailors and keep them safe. **Congratulations and Welcome Home** to all of our troops who've served in **Afghanistan** and around the world. **God bless you and your family, your staff, your members and your club(s).** A **Happy-Healthy New Year** to you all! **God bless America!**

(Norm Cates, Jr. is a 39-year veteran of the health, racquet and sportsclub industry. Cates is the Founder and Publisher of CLUB INSIDER, now in its 20th Year of publication. Cates was IHRSA's 1st President, and a Co-founder of the Association with Rick Caro and five others, in 1981. Cates may be reached by phone at 770-635-7578 or email at Norm@clubinsideronline.com)

Make  
It Fun!

# De-Clutter Your Club for a Better Member Experience

**By:** Bruce Carter

On the cover of a recent issue of "O," Oprah's magazine, the heading was "De Clutter Your Life!" It must be a major issue for people to be the cover story. One thing is for sure; it is a major issue for so many clubs.

## How Does Clutter Happen for Clubs?

Initially, it often starts out with the assumption that more is better. More items for sale at the front desk. More ads and notices about what the club offers. More ads around the club. More training tools on the exercise floor. Another major culprit is a lack of managerial discipline. Management allows things to be accumulated, not paying much attention to the damage clutter does to a club. Employees stack personal belongings behind the desk. Items that should be stored are left around. Yet, without proper storage and proper display of items, clutter is much more likely to happen. Also, and here is an interesting thing about clutter, after a while, as the clutter builds, you often don't see it or even

realize it anymore. It becomes normal and therefore accepted.

## What Does Clutter Do to a Club?

In general, a lot of clutter creates a "negative" image and energy. Why is this? First, think of when your mind is cluttered, too many thoughts and emotions running around. You can't focus, you have less energy and you can easily fall into a negative mood. When a person is surrounded by a lot of clutter, he tends to be drained more in that space, can't focus and has a harder time reaching his goals. As Oprah puts it, "less clutter lightens your life." Now, what club wants to put people in a negative mood, and therefore, make them less likely to want to stay in that space or keep coming back?

Often, this negative process is not something people may be consciously aware of. They just don't feel comfortable in a club. Obviously, there may be a number of other contributing factors as to why someone does not join or stay a member. But, clutter has far more impact than one may realize or be willing to accept. It

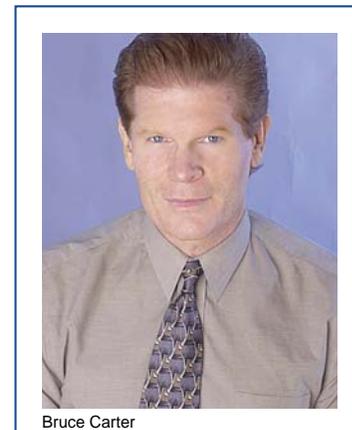
would be easy to say, "What does clutter have to do with someone working out?" To some, it would not affect them. But, to others, especially the de-conditioned, less-focused people, it may affect them more.

The second significant aspect of clutter is that it "shrinks" space. More clutter gets in the way, both in actual usability of the space and in the "visual" openness or spaciousness of an area. Clutter takes up space and makes an area look smaller. What club would not want to appear more spacious and inviting?

Clutter also affects focus. People either consciously or subconsciously will focus on the clutter when you want them to focus elsewhere. For example, it is interesting to see how many spaces where memberships are sold that are full of files, papers and varied items on the wall and on the desk. Then, if other visible areas from the sales space are also cluttered, the sales experience is far from desirable.

Here are key areas that are usually cluttered the most and what can be done to eliminate the clutter.

The first major area is the entrance/lobby/reception desk, the first



Bruce Carter

impression point of a club. More products, more marketing pieces and information about products and signs of club services and programs are put in the front lobby area, thinking the more you have and the more you tell, the more you sell.

Then, different staff members keep adding stuff, and the result is an unsightly first impression. Another aspect (See Bruce Carter Page 26)

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# Time to Catch Up?

**By: Will Phillips**

So, 50 percent of your walk-ins choose not to join? Or, maybe it's only 30 or 40 percent? Any of those percentages is rather amazing. The vast majority of shoppers walking into a store will leave with a bag of products in hand. Sure, health clubs are not retail stores, but the consumers are the same people. We already know from IHRSA's research that there are half a dozen reasons why consumers fear going into a health club. Those who actually do walk into your health club have overcome a great deal of reluctance or fear. They have most likely researched the websites of you and your competitors, and they're ready to buy. So, what's up with the 30, 40, or 50 percent who decide not to buy?

Maybe it's time to catch up with the kind of data-based thinking that occurs in other industries. You have a pre-selected and significant number of research subjects that you can learn from all the people who came into your club and chose not to buy. What do they know that you don't? You, as CEO, have two choices, here. The first choice is to decide whether those people left because they simply did not find value in your club and that there is nothing more you can learn from them. Or, you can get curious about those who left, after having overcome their reluctance to enter your club. If you made the second choice, read on.

I suggest you begin a survey process with those who did not buy. First, we'll talk about the areas to probe, and second, we'll talk about the mechanics of how to do the survey.

Most clubs have a goal to sell more memberships. Few have actually formulated a strategy to do so. A well-articulated strategy identifies a problem and then creates a guiding principle or policy to address that particular challenge. For example, when Netflix was growing like wildfire in California, it was failing to penetrate cities like Chicago, Boston and Atlanta. Brilliant Netflix minds hypothesized half a dozen reasons why this was so, including, "People in California are just more internet-sophisticated than those in other cities, so they're more comfortable buying movies online," or "People in Boston likely think that we select movies in California with a different set of criteria than they would, so they believe that we don't have a good choice of movies." It turns out that neither these, nor any of the other handful of rationales Netflix executives dreamed up, were accurate. Only by going into the field and talking to the non-buyers could they figure out the data that told them what was *really* going on, and it didn't take much effort. A

few interviews in the Boston area pointed out that people loved the movie selection, were totally comfortable with the online service but didn't believe that if they ordered a movie on Wednesday, it would ship fast enough from California to watch it in their Boston home on Friday. The problem was distribution. The customers told Netflix what the problem was because the customers knew, and Netflix did not.

Netflix immediately created a policy of better distribution. Their first rifle shot was to set up a distribution center in Worcester, Massachusetts, an hour or so west of Boston, with lower rents. This rifle shot pilot study showed they had the right answer. Boston boomed. Netflix now has extended its market penetration strategy with 147 distribution centers around the United States.

Losing 50% of your customer leads is not the *problem*; it is a *symptom of the problem*. Until the underlying problem is identified, there can be no strategy. The interviewing described below will help you find the reasons. Then, you can create a strategy to address them.

## Areas to Probe in an Interview

1. What is the differential value that is transparent to your target customers? In order for a buyer to choose your health club over a near competitor, there must be a difference that the customer values and clearly perceives. Since all customers value a good price, low price will always win here, unless there are other differentiating factors. Many middle-market clubs priced in the \$30- to \$60-per-month range believe that they have a large amount of differentiators. This may be true, but they are not always transparent to the target customer. If transparent, they may not be valued, hence the 50%.

Salespeople always talk about the necessity of visiting the club, seeing it and taking a tour to make the sale because it's a complex value proposition. If, in fact, visiting the club created an obvious differential, people would buy with little or no sales pressure. The differential we have invested in creating with customer service, beautiful facilities and elaborate programming may not be transparent and/or appreciated by the first-time visitor. Either they don't value those things, or we have not figured out how to communicate with them in a way that delivers value transparently. If we fail to communicate the value, we now resort to closing strategies to get a sale, even when the individual is not ready to buy. I have seen the relationship between sales skill and retention in a number of

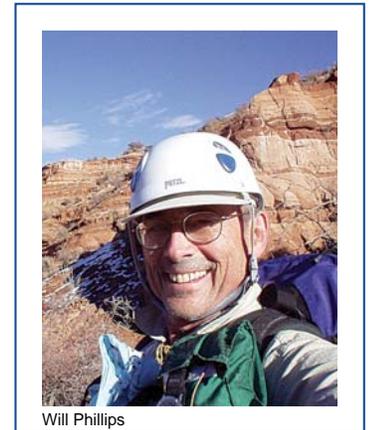
clubs with multiple facilities with three to four salespeople in each facility. Those salespeople who always meet their quota, who always get the last three, four or five sales at the end of the month, also have the highest member turnover. They have sold people who were not interested, who did not see the value and who drop out earlier. The high pressure-elaborate sales process the club uses and is known for is a result of poor market research. We do not know what they want so we must convince, persuade and close.

So, in your research, one of the key areas to probe is what *differential value* the customer saw between your club and the next best alternative.

2. Did the visitor who failed to join your club join another or simply decide *the heck with all health clubs*? Those are two very different results. Most interesting is the visitor who decided to join another health club. Their behavior demonstrates they saw more value for them in the next best alternative to your club. This is the area to probe. What, in fact, was the value that they saw more transparently in the next best alternative? This conversation opens the door to better understanding what factors were operating in this person's choice in health club, or to make the choice of not joining any health club. Remember, the behavior speaks louder than what the interview subjects may say. Only with a skilled, unscripted interview can you dig deeply enough to extract some of the most valuable knowledge your non-customers may have to share with you.

We often think we know what the next best alternative to our club offers in terms of facilities, programs and pricing, but unless we recently have shopped them intensively, we may be misinformed. We may end up creating offers and pricing based on an inaccurate perspective of our competitor's offering. So, it is also valuable to identify who offered the next best alternative to your club and then diligently shop, research and understand their programming and pricing.

3. Uncover surprises and hassles. When a customer walks in, modestly prepared to buy and then does not, it is often because they were surprised by something or there was a hassle in the sales process that prevented them from buying. You should specifically probe for any surprises or hassles in your club or its sales process that might have motivated your customer to walk out.



Will Phillips

## Doing The Research

There are at least three elements in doing the research. The first one, of course, is to roughly plot out the areas that you wish to learn about or explore, which we just did. Number two is to recruit your interview subjects. The best time to recruit someone for an interview is while they are still in your club, having already declined your offer. It is now time for you to make them a secondary offer that is too good to resist. Let's start with the \$100 bill. "I understand you decided not to join today. We'd like to learn a little bit about how you've seen our club to help us get better, and we'd like to ask you to stay for a short interview for which we will pay you \$100." At this time, the \$100 is offered. If you find that everyone signs up, you might want to reduce it to a \$50 bill. On the other hand, if you find that no one signs up, you might have to increase the reward. Avoid offering a free month at the club as the reward, as this confuses the prospect with a typical follow-on sales process. And, do not be cheap. They have priceless information to help you increase sales.

A minimum of 20 interviews should begin to uncover some interesting data that may help you further focus future interviews. When you reach 100 interviews, you should have pretty solid data. If you find that you're not recruiting a large number of the people you ask, you have another challenge, which is to find out whether the people who decide to be interviewed are significantly different from those who choose not to be. We're not going to address that challenge in this article.

The third item is to create a great interview process. First of all, this means creating an environment that the individual perceives as safe for them to respond honestly. Interviewers who have a natural

(See Will Phillips Page 20)

# How to Improve Your Health Club Business

**By:** Jim Thomas

Whether it's just you working at your gym or you have many employees, the reality is that you either get better or you get worse. Nothing stays the same. The business of your health club is either trending up or it's on the way down. Growing and making improvements to the business of your health club is a choice. The key is to choose the right area of your health club business that will make the biggest impact. Here are some things to think about:

**1. Track Your Numbers:** It's always interesting to see how few independently owned health clubs have any idea of the daily, weekly and monthly sales and production numbers and member attrition trends. How can you expect to fix something if you don't know where you are? You can't guess at it.

**2. Expectations and Goals:** This is a crucial element of health club success for the independent owner. I recently had a meeting with a club owner, and he expressed his frustration that his staff was not hitting their numbers. When the staff

was asked what their goals were, they were unclear of the owner's expectations.

**3. Use Proven Marketing Programs:** It's sure not hard to spend a lot of money on marketing and advertising. If you're not sure about marketing, this is an area to get some help. But, you want to find proven marketing programs. If you're trying to get your gym business back on track, marketing is not a challenge for trial and error. **(Publisher's Note:** Be sure to read Tracey Bourdon's 3-part article series on how to market your club, with Part III this month on **Page#22.**)

**4. Know How to Give a Tour and Membership Presentation:** If you don't learn the proper way to do this, you'll find yourself simply showing features and giving prices. Unless all you want to do is lease space, this won't be a solution.

**5. Do You Know the Industry Trends?** The way you run your business will continually change, and you must keep up. As hard as it is to believe, there are still clubs that don't use EFT, don't understand their website analytics, have a website that is not mobile friendly... Well, you get the picture.

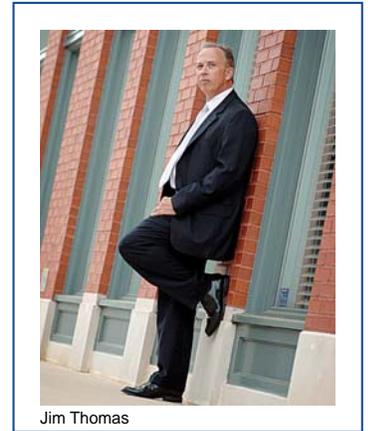
**6. Regular Sales Training:** This is no different than any other profession. You and your team must continue the educational process with regular sales training. As mentioned earlier, you will either get better or you will get worse. You must focus on sales improvement and accountability to the process.

**7. Do You Know Best Gym Practices?** You want to avoid wasting money and time reinventing what is generally considered to be a good approach in a gym. Now, once you're back on track, the idea of "testing" is a good one, but not until then.

**8. Motivate Your Staff:** If you're having member problems, it can usually be traced back to the relationship you have with your staff. The number one job of management is to create an atmosphere that allows a motivated person to act.

**9. Know Your Limits:** Every successful health club owner has a clear idea of his strengths and weaknesses. By knowing this, you can better manage your resources and find help in areas of weakness.

**10. Take the Time for a Break:** Running



Jim Thomas

a health club is hard work. Sometimes the best way to improve your business and reignite your passion is to get away for a while; plus, it's a great way to develop people (when appropriate).

Now, go improve your Health Club!

*(Jim Thomas is the President of Fitness Management, USA and may be reached at (800) 929 - 2898 or [jthomas@fmconsulting.net](mailto:jthomas@fmconsulting.net))*

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# FINALLY.. Eliminate the Stress of Managing: A Simple, 4-Step System for Team Communication That Gets Results

By: Donna Krech

Are your personal or business relationships as good as they could be, or as good as you'd like them to be? Ever feel like communication is nearly non-existent between you and the other person? Maybe your thoughts are, "They don't listen," or, "They won't hear me." You might find yourself thinking, "How can they *not* know what I said? I said it!" Yet, the outcome isn't what you agreed it would be or what you *believed* you agreed to.

I've been at the game of business and the game of life for a *long* time now. I've lived through the absolute frustration of not understanding where the other person was coming from. I've lived through the stress of someone else not getting where I was coming from. It's tough but totally fixable!

Let's be honest, we're all managing. Whether we're managing a team, a marriage, a friendship... if we're succeeding at it... we've come to the realization that we're all managing each other. While some things are a whole lot more challenging to manage, management in and of itself can be a huge pain in the you know what.

Unless... you have a system that gets results. When I started using it, everything changed. I mean *everything*. My companies started working like a well-oiled machine! We had fun! We made more money!! We touched more lives and grew our business!!!

I've seen this occur in the many businesses I've coached, too. The common frustration I've observed is that people don't know how to communicate when they see a need for improving something. Instead, most often, complaining ensues, arguments occur, resentment sets in and poison begins to infiltrate the marriage, friendship, family, church, department, club or business where the issue is occurring.

It doesn't have to be this way. Solutions can occur and very simplistically. God made life simple; we humans have acquired a knack for complicating everything. Seriously, solutions can come simplistically. There is hope; there are solutions. You can be happy *and* productive.

Again, this can be used in your personal life or in your club, with your team. I personally think it's all life, and a great communication system will work in all areas. This is a great communication system for all situations, but for the sake of this article, I'll share this system with a slant toward a team of people who work together. Wisdom for getting an idea heard or seeing a change take place follows:

**Step 1: Share what you LIKE about the present way that what's bothering you is being done.** We can always find positives if we look for them. Starting a conversation with what's good is what true leaders do. This is typically an innate character trait or one you acquired from your environment as you grew up, but it can be learned. Remember, people listen and minds/hearts are open when we say what's working first. You'll start the conversation on a note that will allow communication to occur and concerns to be heard.

**Step 2: Share your CONCERNS based on facts.** Being specific about facts holds merit plus shows you're not acting out of emotion. An opinion of value is based on more than just your opinion. Be certain to base your concerns on facts. It's important to realize that your goal is not to point out flaws but to share concerns about how the current behavior, system or issue could result in something other than what anybody wants to see happen. Think of *how* you are presenting your concern. Choose words based on facts instead of feelings and show the relevance to the goals of the company and individuals.

**Step 3: Share what YOU could have done differently to get a better outcome. TAKE OWNERSHIP.** Personal responsibility will move mountains. Blaming words and behaviors will build barriers. Most of us have no idea that, when we blame someone else, we are taking the position of a victim. When you share what behaviors *you* could improve on about *you*, you will get heard and your information will be received.

**Step 4: Share the SOLUTION for improving YOU and for improving the OUTCOME.** Be specific. Give a potential plan of action with measurable outcomes and a date by which the plan will produce results.

This works, my friends. It pulls down walls of defensiveness and builds unity. It destroys the manufactured myths we have in our heads about reality and addresses problems dead on. It's fair, it's easy and it works. Be blessed by it. I'd love to hear how it works for you. Let me know...

Thanks for sharing this article with friends, family and co-works if it served you. Be encouraged to use it as a training tool. I'd ask you to simply give credit to the author if you use it.

**A Note to Leaders:** If you intend to use this system as a tool for presenting new ideas, you need to set a time and place for

when this system is to be used. Otherwise, for "business as usual," it should be used anytime and every time a team member has a concern to share.

To get the companion worksheet to this article, contact my office at the number below. On our team, if you don't bring a LIKE and a SOLUTION with a concern, you don't have the right to be heard. I love this rule! It creates great leaders, makes business growth easier and keeps stress and negative at a nearly non-existent level! Woohoo!

Those who use this approach are leaders with a character of integrity. Unfortunately, there are people with leadership skills who don't own their own behavior but blame others. Those folks never know the success they could have known if they had applied this system. Experience has taught me to look for and celebrate people who display this kind of character. I trust them completely because they are transparent.

If you're a business owner or manager and you're looking for these folks, rest easy, they will reveal themselves. For those on your team who want to grow into leadership, and are not displaying this behavior, they need to be trained on this crucial communication system. Once they know it, it's up to them to display it. You simply need to watch and listen.

Because of the personal responsibility aspect of this system, and the required positive presentation, anyone attempting to "fake it" can't do so for very long. Conversely, those who live it will get noticed by everyone as a leader



Donna Krech

worth following. Watch for LiCOS (Like, Concerns, Ownership, Solution) words and behaviors and offer that person growth in your company! This is behavior worth investing in!

There are also times that, as the leader, you need to just state the facts directly. In an upcoming training article, I'll speak about doing that. Want more training for your team like this? We provide a free Success Coaching call on creating the business of your dreams. To register for this training or to receive the companion worksheet that accompanies this system, simply dial toll free (866) 260 - 8446, ask for Beth and tell her you'd like to enroll for the free training on creating the business you've always dreamed of having. If you'd like the worksheet, simply share that with her too.

## ...Will Phillips

continued from page 18

ability to put people at ease and engage them are ideal here. This may be you, or it may be someone on your staff.

Alternatively, it is possible to hire skilled interviewers. Search locally for market research firms who can do this for you. It is critical in the interview that the interviewer does not become defensive or explain things that the interview subject does not understand about your club and does not try to engage in secondary selling. This will be a challenge for any salesperson to accomplish! One of the best interviewers is often the club owner, who is more likely to be aware, tuned-in and sensitive to some of the subtle cues that interview subjects are likely to give off.

For example, the owner of one mid-price New England club in a suburban community realized he was in a family

marketplace, yet his club had very few family memberships. He decided to do some selling, himself, to see what was happening. As soon as he announced the add-on prices for family members in a sales process, he noticed the individual or couple visiting his club quickly lost interest. As a result, he changed his pricing system so that the addition of children made extremely small increment. The result of the pricing change moved family memberships from about 5% of the total memberships to close to 25% within a few months. Opening your mind to the market can do this, and it took only ten walk-ins to discover.

Now, it's your turn to expand your intuition with data.

(Will Phillips is the Founder and President of REX Round Tables for Executives and may be reached at [Will@RexRoundtables.com](mailto:Will@RexRoundtables.com))

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**JOHN DAMINATO,**  
Lethbridge Fitness Club

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# Planting the Seeds For Better Marketing

By: Tracey Bourdon

## Part III

Spring! Has it snuck up on you? The arrival of spring is a welcome change for many of us, whether it is simply better weather or the promise of fresh starts, new growth and opportunity. For many, spring cannot arrive too soon. Unless you don't have a marketing plan!

The 'New Year's Resolution' season is over for another year, and hopefully, your club business was able to take advantage of a tidal wave of prospects that evolved into a wealth of new members who are now actively working out in the club. Even if this is the case, now is not the time to sit back and admire the fruits of your first quarter marketing labors. It is time to dig deep and cultivate the next crop of new members.

### Spring Clean Your Marketing Plan

Just because spring is coming, and you feel like a change, before you abandon your entire marketing plan and strategy, take a long, hard look and an honest review and evaluation of what worked, what did not and what is still working. It will take some discipline to look back before you spring forward. However, the value of measuring the success or failure of your marketing can never be underestimated. It can save you so much time, and money, to repeat or maintain successful campaigns and to refine and improve less successful efforts and examine why they did not work. Often, you can sow the same seeds, and they will continue to yield a worthwhile return.

Remember the plan? As discussed in previous articles in this series, this is a boiled-down recap of the programs that are the embodiment of successful club marketing and some recommended messaging components:

### Nurture - The Loyalty Program

Make constant connections with new and current members that inform, inspire and reward them. Send them emails on a regular basis. Make sure the messages are *personalized* and make the member *feel special and important*. 'Dear Tracey' resonates with Tracey so much more than "Dear Member." Keep the messages short, sweet and interesting, with plenty of "what's-in-it-for-me" news, "what's new" club updates, photos and exclusive, members-only offers.

A new member who joins should receive a follow-up offer right away. Do not just ask for a referral but offer something of real value to them like a coupon for

profit center services. It could be an offer that will benefit the club as well as the member, such as a limited-time discounted membership for a family member or friend.

Develop ongoing in-house campaigns that have some moxie, like frequent exerciser rewards programs and challenges that generate excitement within the club. Align your club with a charity, local sports or community effort and get your members involved with a great cause and an empowering opportunity to "give back" through their participation. It is great visibility for your club and instills a great sense of pride for your members.

### Propagate - The Outreach Program

Prospects are absolutely crucial to your club business. They are living and working all around you, the key words being *around you*. Plotting where your members come from is a vital tool that ensures you zero-in on the prospects that are most likely to join. To let them know you are there, you have to reach out to them where they live or work. They are reading newspapers. They are on Facebook. They pick up their mail. They check their inbox. Once you get in front of them, you must have a compelling advertising message that will gain attention, urge them on to the next step and convince them to take action by visiting the club. Once the prospect visits the club, the work of the advertising is done, but other aspects of marketing take over, such as the look and feel of your club, the quality of your team of staff and the sales process.

### Harvest - The Welcome Back Program

Recover your former members and lost leads with a bright message for spring. Make certain not to make them feel bad for leaving and keep your marketing positive. Remind them that they are **VIPs, Very Important People**, by creating an *exclusive offer for them*. Your message can announce new and exciting changes at the club and explain how, this time, you will ensure they will enjoy successful results from their membership experience.

### Fresh Market

One great advantage of spring is the feeling of wanting to breathe new life into every aspect of your club business. In advertising, stay true to your brand, but think of fresh ways to make your marketing mark and mix it up in new places, everywhere you can imagine.

For example, building new relationships by cooperative advertising with other businesses you admire is a wonderful opportunity to mine prospects from a

like-minded customer base. You carry their message. They carry yours. Just be careful to be strategic and discerning, make certain you share the same kind of customer demographic.

Sparkle up your phone answering script and give inbound callers a reason to smile. Be surprising, but be surprisingly good!

Now that your club has enjoyed a spring-clean sweep, hold a public open house. It will not only gain you some face time with prospects but also show an appreciation of your current membership. Publicity is a crucial aspect for the success of an *Open House* campaign. From press releases in local media to sending invitations and advertising inside the club with posters, talk it up to make this event a perfect marketing opportunity.

Welcome as many guests to the club as you possibly can. This may not traditionally be your busiest time of the year, so you can probably afford to have a few extra folks trying out the club with a complimentary workout without overcrowding your facility. Why not place a guest pass in outgoing mail, including business-to-business. Even when you are paying bills through the mail, someone at the other end is opening the envelope!

### Cultivating Campaigns - A Professional Spring Tune-Up

Finally, these two spring campaign themes are club client favorites and proven marketing success stories:

**1. You're Already a Member** - This campaign is out-of-the-box friendly, and welcoming, as it invites prospects to the club as if they are old acquaintances and valued members before they even start. Breaking down barriers of intimidation and the threat of non-acceptance, the message is personal and direct. Marketing vehicles need to reflect that personal approach through direct mail and/or email if you have the permission to intrude into the sacred inbox without reproach! The mailer includes an "official" membership card, and the offer is naturally a trial membership.

**2. The Weight-loss Challenge** - Timely, as people emerge from winter hibernation in search of their body that will fit into Summer clothes, this campaign demands good planning and benefits from the participation of your personal training and nutrition centers. Not such a bad thing. The theme, popularized by being trotted out by TV show reality, has meant that the potential for participants to anticipate successful results has been heightened, a good thing for a marketing campaign.

Host the challenge for a pre-



Tracey Bourdon

determined number of days. Open it to members with prize incentives. Market the challenge as a self-contained program to prospects who will love the short-term commitment and its single price-point before they decide to join the club. Nevertheless, the conversion rate to annual membership for these participants is high due to the *personal attention, support and motivation offered by the program*, especially when progress is measurable and results are evident.

Keep the theme lighthearted. Whether you call it Skinny Jeans, Battle Of The Bulge, Lose To Win or Look Better Naked, your prospects and members will join in the fun-spirited, healthy competition and wear the t-shirt!

Promote internally with an email blast to your members and lost leads, post on your Facebook page, feature on your website, display posters, ceiling danglers, banners in the club. Reach prospects using door-hangers, take-ones, flyer inserts in your local paper and direct mail postcards. Keep in mind the newsworthy value of the campaign and take advantage of free publicity in local media.

Does all this seem like a lot of work? Creating an effective campaign takes time and effort. The services of a professional marketing company can provide an objective perspective and look after the strategic planning, creation and execution that a comprehensive campaign requires. They can also 'police' your brand to make certain your club presents a constant and memorable image in the marketplace.

The marketing possibilities are endless, so plan early, budget appropriately, execute beautifully and reap the rewards of your spring marketing!

(Tracey Bourdon, of Susan K Bailey Marketing & Design, can be reached at 888 - 349 - 4594. To learn more, go to [www.susankbaileymarketing.com](http://www.susankbaileymarketing.com))

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### Matrix Global Q4 Sales Increase By 39.7% and 24.6% Over Prior Year

**COTTAGE GROVE, WI** - Johnson Health Tech, Inc. (JHT), manufacturer of Matrix Fitness, Vision Fitness, AFG, Horizon Fitness and the **LIVESTRONG** line of fitness equipment, announced its Q4 results ending December 31, 2012. The company's commercial brand, Matrix, experienced 39.7% growth in the fourth quarter and closed out the year with a 24.6% increase over 2011. JHT's retail brands ended the year showing flat year-over-year growth in the consumer segment. The combined 2012 global commercial and retail sales increased 11.4% over the prior year.

"The momentum for our Matrix brand continues to build worldwide," said Vice President of Global Marketing, Mark Zabel. "Our investment in innovative new products like the ClimbMill, Ascent Trainer and Suspension Elliptical platforms continues to gain increased customer acceptance and market adoption as facilities look for superior alternatives that deliver a great user experience and the lowest total cost of ownership."

**Make It Fun!**

# Business Survival & Prosperity

**By: Maria Parella-Turco**

For many fitness centers, operating in a consolidating industry with growing competition in an unstable economy, survival is forefront of mind. The new kids on the blocks including, microgyms, low-price clubs and studios, are not a pass by night phenomenon. As a health club consultant and turnaround specialist, I'd like to share with you some of the most common observations I have made and information I've gathered that are key factors to survival and prosperity.

**1. Tapping Into The 85%** - Most operators have heard, time and time again, that we penetrate 15 - 18% of the population as members of our clubs. Low-price clubs have seen as high as 26% penetration. Regardless, the fact remains that we are vying for the same low percentage of users. The key to further penetration is programming and medical alignment, especially if you are not a low-price, high-volume club. This shift is starting to occur and will continue as we expand beyond our retail sales driven mentality, from selling membership to activating programs. Users want results. Memberships do not provide the best path to results, though, its programs! I was working with a club recently in which monthly dues were double the amount of its competitor. "How do you justify a higher price?" I asked. The response was, "we offer better service by providing everyone with two free consultations and floor trainers." After careful evaluation, only 20% of those members participate in those evaluations, and the floor trainers congregate and chat with only 20% of the same total members. So, my conclusion is that they are just leasing the same space at a higher price than their competitor, and without programming, so their days may be numbered. Creating, investing and marketing credible programming will not only yield a higher penetration rate over time, but it will increase non-dues revenue, which for most clubs, is a key factor in profitability.

**2. Develop Clubs Within Your Club** - In the spirit of programming let's discuss *the club within the club*. As I mentioned, niche fitness centers are chipping away at large, multipurpose clubs. Therefore, if your club is a large, multipurpose club, ask yourself if you are "trying to be all things to all people." If you are, then you should put a lot of effort in developing clubs within your club. Most clubs are unable to survive on membership dues alone. Therefore, they must add additional profit centers. The "club within your club" concept is lowering

or eliminating your membership dues for those members who participant in a small group training membership, a special paid program or even work with a trainer three times per week. In this particular model, please note that membership usually feeds other departments; therefore, driving, growing and engaging your members first is recommended.

**3. Marketing Is About Base Hits, Not Home Runs** - Direct mail does work... Yes, it does. However, sending out an offer in a direct mail piece once in a while with no other depth to your marketing will not. The goal of a marketing plan is to generate guest traffic to your club and nurture interest. Conversely, sales occur when you nurture that interest to the point of commitment. Your marketing repertoire must include campaigns that promote programs *and* membership. My recommendation is to design them in 30-, 45- or 60-day campaigns. Multiple campaigns should be running at the same time with at least one campaign each month. These campaigns should be marketed using a combination of what I call both digital and paper vehicles. Each campaign should be communicated using at least four different vehicles.

Failing clubs tend to cut expenses, and their marketing budget is always one of the first things to go. They justify it by saying, "Well, we don't really think it's working effectively, so we just work on referrals and word of mouth." When I inquire for a report on what the guest traffic, web leads and calls were in any given month and what vehicles generated each one, I may hear, "Well, we don't measure that." Oh no! You can't manage what you don't measure, and you cannot cut your marketing if you want to survive. Marketing is an investment, not an expense. Instead of cutting this important investment, educate and work towards depth to your marketing plan, using more campaigns and more vehicles per campaign and measure it!

**4. Cap Ex** - Cap Ex improvements are critical to survival. Approximately, five percent of your revenues should be set aside for improvements each year; higher if you have not been consistent. Consider adding an *enhancement fee* to your offering. It's becoming a common industry practice, and more and more clubs are adopting this growing trend. *Membership dues* serve the purpose of covering operating expenses, whereas *enhancement fees* are strictly used for new equipment, programs, services and other club improvements. In states where implementation of this fee conflicts with your health club act, consider offering

it as a program at point of sale, in which most new members participate. This fee should be charged once per year four to six months after the member enrolls in order to capitalize on the cost attrition. However, *be warned that an ongoing marketing plan and member survey system is crucial to the success of an enhancement fee program.* The consequences of a poor marketing strategy will result in unnecessary attrition.

**5. Department Manager Accountability** - I am constantly amazed by the lack of accountability I find in club organizations. We must recognize that, in order to improve, all programs and departments need a leader, coach or cheerleader. That person needs to be accountable towards optimizing the mission and profit objective of that department. Ask yourself these questions:

- A. Is there a coach, manager, leader for each department and program?
- B. Do they *clearly understand the mission* of the department?
- C. Do those managers have metrics, proformas and marketing plans including SMART (Specific, Measurable, Attainable, Relevant and Time bound) goals?
- D. Do they coach and develop their staff?
- E. Do they establish and manage tools and systems?
- F. Are they being held accountable to all of those areas?
- G. Are we providing incentives for productive activity in addition to end results?
- H. Are rewards given for reaching a goal?
- I. Are we dedicating time in department meetings to recognize excellence?
- J. Are we committed to replacing complacent behavior!

In conclusion, I believe that competition and economic challenges are the best things to happen to our industry. It is forcing us to rethink our approach to continue to move towards a retention-, solutions- and results-driven approach. Hallelujah!



Maria Parella-Turco

*Information presented in this article is based on feedback and statistics of New Paradigm Partner clients, a fitness industry specific management and consulting firm.*

*(Maria Parrella-Turco has been working in the fitness and wellness industry since 1990. She and New Paradigm Partners have assisted hundreds of centers in the conception and development of their business plans, finances, facility development, management and staff training. She and New Paradigm own and operate a highly profitable and successful 30,000 square foot "consulting model" health club that is used as a testing and university center for the firm. Her mission is to optimize her clients' mission and profit objectives and her consulting has facilitated increased profitability for many clients. As a Senior Partner of New Paradigm Partners, Maria serves as a professional consultant to the fitness industry. As a facilitator, she is a lead trainer for the NPP University and Franklin Coveys 7 Habits of Highly Effective Health Club Managers, and she is the founder of fitRewards. Maria was featured on the cover of CLUB INSIDER in 2008 and Club Solutions in 2010. She can be contacted at [map@newparadgimpartners.com](mailto:map@newparadgimpartners.com) or 609-332-5689.)*

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*-Susan M. Adams,  
Gold's Gym of Central Florida, Area Operations Director*

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## ...Bruce Carter

continued from page 17

of the entry area is often in the vestibule or near the front doors, cluttered with many items, such as free papers, flyers and pamphlets. Once again, this destroys a clean/clear image, and it is recommended that these items are not put in the entrance.

To prevent all of this, it is imperative that (1) No staff person can add anything without approval; (2) The goal is to control what is made available, and management must continually follow up and remove clutter. Clutter is like an unwanted growth; it just keeps coming

back; (3) Proper shelving and display cabinets and storage are a must to organize and then present items in a favorable manner. Properly planned display items are a must for eliminating clutter.

The second major area is group exercise. These areas have added a wide variety of items to allow for a more varied class and exercise program offering. However, it has resulted in these areas becoming substantially cluttered with items wrapping the walls. In other words, a group exercise room has now become a combined exercise and storage room. It is understood that the items are necessary so the solution is proper storage. Ideally, it

is best to have a side wall (these walls do not have to go to the ceiling) with two 5' openings (no doors) and be large enough to store everything. Two openings without doors are necessary to allow for people to enter one side and go out the other to keep an easy, quick flow for getting to class items. Do not be concerned about the space you are taking up if you are already using this space for these items but are totally ruining the effect of a clean, inviting state of the art exercise experience. The other option is to provide built-in shelves for items against the wall, including racks for the large stability balls.

The third major area is the continually evolving functional training area. Here, bands, balls, kettlebells, mats and many more items are used. Often, these items are just thrown about creating an unsightly mess for what should be one of the key, state-of-the-art areas of the club. Once again, a disciplined and trained

staff is a must to keep the area neat but also proper storage shelves, bins and racks are a must to have and continually use as part of presenting an overall organized positive space.

Maintaining a positive energy and image is obviously a great goal for any club. Clutter will definitely undermine this goal, and the initial solution is just a regular commitment to eliminate it. Just as members get lazy and don't want to keep exercising, staff members get lazy and allow clutter to happen. With proper discipline, planning, storage and display, your club will improve its ability to make a member's experience a rewarding and positive one.

(Bruce Carter owns Optimal Design, the 33-year old design and consulting firm that has created over \$800 million dollars worth of successful facilities in 45 states and 27 countries. Bruce can be reached at [bruce@optimaldsi.com](mailto:bruce@optimaldsi.com) or 954-888-5960)

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## Thanks and Appreciation

At CLUB INSIDER, we are excited to be celebrating our 20th Anniversary of this home-based health and fitness club trade newspaper! The thought that this newspaper was founded to serve an industry I truly love, and so that I could become a Mister Mom for my son, Justin, is still intriguing and amazing to us. I wish to extend our most sincere Thanks and Appreciation to everyone that's made this amazing run possible.

A very sincere Thanks and Appreciation go to Rick Caro, Dr. Gerry Faust and the Faust Executive Roundtable #1 for helping me decide in 1993 what my home-based business would be. Thanks and Appreciation to my long-time friends, Ron Hudspeth and Cathy Miller of Atlanta's Hudspeth Report for the tremendous assistance they provided us during our first 8 years of publication. Thanks and Appreciation to all of the folks at Walton Press in Monroe, Georgia. They've done an absolutely excellent job for us all these years and have printed every one of our monthly editions! Thanks and Appreciation to all of our readers. Sincere Thanks and Appreciation to our CLUB INSIDER Advertisers, past and present, for their kind and dedicated support of this publication. It's amazing to know that we have several advertisers with over 15 years of continuous advertising with us. Plus, we have one advertiser, National Gym Supply, with over 18 years advertising with us and one, Affiliated Acceptance Corporation, with over 19 years as they have advertised in every single edition of CLUB INSIDER since the first month that we sold advertising in June, 1994! We also want to say sincere Thanks and Appreciation to all of our CLUB INSIDER Contributing Authors, past and present, who've contributed hundreds and hundreds of excellent articles to help our readers with their Best Business Practices. Thanks and Appreciation to IHRSA for all it does.

Sincere Thanks and Appreciation to my son, Justin, who started working part-time for CLUB INSIDER when he was just 8 years old (helping with mailings). This young man, pretty much behind the scenes for 20 years now, has truly been a fantastic partner for his Dad in CLUB INSIDER. Justin does our editing, publication layouts, all of our website design and maintenance, all of our bookkeeping and subscription processing work, as well as archive management and anything else that needs doing, including writing eight cover stories per year.

Last, but surely not least, this writer who refused to fear failure when many told him he didn't have a chance of surviving the publishing business for even a year, did in fact, survive. He would like to give sincere Thanks and Appreciation to the power that made that survival happen: God.

Very sincerely, with love in my heart for you all,

*Norm Cates, Jr.*

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