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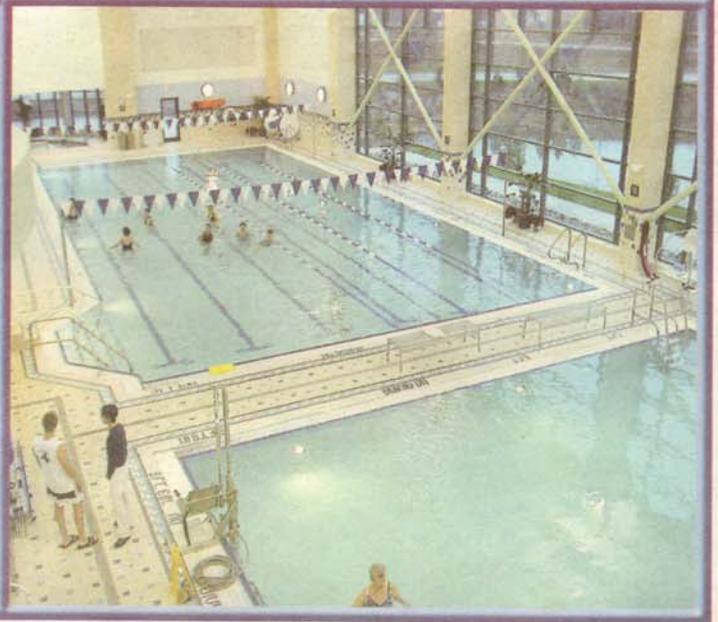
Norm Cates'

THE Club Insider

NEWS

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

APRIL 2003
VOLUME 10 NUMBER 4

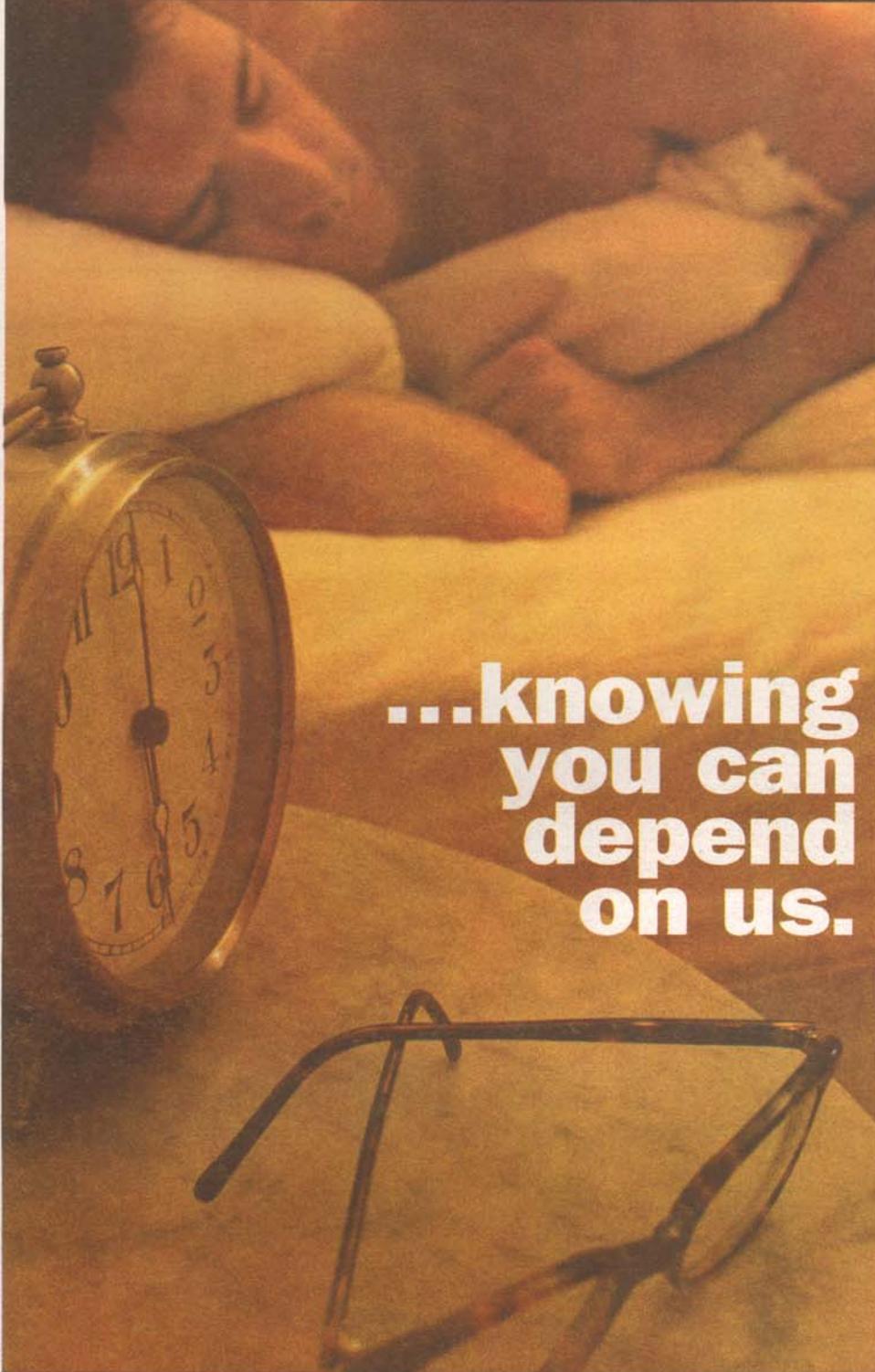


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THE Club Insider

NEWS

SETTLING THE DIFFERENCE BETWEEN HOSPITAL FITNESS CENTERS AND COMMERCIAL FITNESS CENTERS: AN UPDATE AND CASE STUDIES

By: **Bonnie Patrick Mattalian**

Hospital fitness centers are slowly being developed all over the country. The Medical Fitness Association claims there are 500 such centers in existence now, some of which are very small in size, with another 27 in development. Some are attached to the hospital campus while many are being developed away from the hospital in the hopes of increasing market share and generating traffic back to the hospital.

Another reason hospitals are becoming involved in fitness is to expand the continuum of care with prevention of disease based on identified health risks. Diane Kelton is an Administrator at Baptist East/Milestone Wellness Center. The hospital formed an LLC for the project, which is for profit. She explains how the hospital got involved, "We were running a number of smaller facilities in the area. The President of the hospital is very much dedicated to wellness and saw this as a way to participate in the preventive side of healthcare for the community."

Commercial club owners and operators are challenging the not-for-profit status of many hospital fitness center facilities. The commercial club owners are paying well into six figures in various taxes annually, and are providing many of the same services and programs. While

simultaneously, some non-profit entities are seeing a 30-38% operating cost advantage overall.

John McCarthy, the Executive Director of IHRSA, the for-profit club owners' trade association, puts it this way, "It is not the business of government to undermine the free enterprise system. But when our government lets some health clubs be tax-free while others are totally taxed. This is precisely what they are doing, namely, undermining the country's free enterprise system." He adds, "Further, when some companies pay no taxes, this means that everyone else, including the poor, need to pay taxes. In effect, tax-exempt hospital clubs are shifting tax burdens in this country from affluent hospitals to poor citizens. This is both unfair and unethical."

An example of this is the property taxes we all pay for our homes. I live in a city where a hospital system has bought up a good percentage of the land. As that property is tax exempt, my taxes are higher, to make up the deficit to pay for city services.

Are They The Same?

There seem to be many similarities between commercial and hospital-based fitness centers in the following areas:

- Physical Plant, Equipment, Amenities
- Staffing

- Intake Processes
- Programs
- Community Services
- Member Demographics/Membership Data
- Financial Performance.

We surveyed a number of for-and not-for-profit facilities trying to clarify the differences in each of these areas. Many not-for-profit hospital facility operators were unwilling to share information with us, despite promised anonymity. Bob Boone, VP of Professional Services for First Health of the Carolinas, declined discussing his Center's data because he believes the for-profit versus not-for-profit discussion is the wrong discussion to have. He explained, "I think it doesn't matter. It's a site-by-site, individual-choice based upon the circumstances that are specific for that local community to determine." Only one out of 9 surveyed not-for-profit hospital-based centers was willing to share membership and financial data, and that information is based on projections.

Jimmy Page is the General Manager of the Maryland Athletic Club. His facility has a strong relationship with Johns Hopkins Medical Center, and is providing a number of programs and services through the hospital for members and the community. Although his facility is for-profit, he has extensive experience working in not-for-profit hospital facilities. Page says the major

difference is the approach, "On the not-for-profit side, the business objective is to fill a need. On the for-profit side, the business objective is to fill a need and to do it profitably." His facility sets a minimum of a 30% profit margin for all programs.

A Summary of Some of The Similarities And Differences Based On The Survey

Physical Plant, Equipment, Amenities Commercial

Square footage of survey respondents' sites ranged between 57,000 sf and 330,000 sf at the Sparrow Health Science Pavilion at Carl Porter's Michigan Athletic Club. Equipment lines include Life-Fitness, Precor, Technogym and runs the gamut of all brands. Many clubs have pools, some have separate warm water pools, lap pool and family pools. Some clubs utilize FitLinxx or Technogym computerized exercise programming and tracking. Some have spas and/or massage.

Hospital

60,000 sf. Equipment line varies. Separate warm water pool, lap pool. Many facilities also utilize FitLinxx or Technogym for computerized exercise programming and tracking. Some have spas and/or massage.



Bonnie Patrick Mattalian

Computerized exercise program tracking is highly desirable for hospital centers. This technology helps to track progress and outcomes and helps its staff to update programs more easily. Warm water pools are becoming more of a trend for arthritis and fibromyalgia classes, among other uses.

Staffing Commercial

Clubs average payroll costs between 30 and 40% of gross revenues. Staff are required to have a national certification and/or be degreed in an exercise-related field. A number of specialties were defined and special training was provided for staff to deliver services to members who had more complex medical histories.

(See Bonnie Patrick Page 8)

IHRSA Leaders Respond... So Should The Members...

By: **Norm Cates, Jr.**

I have some "Good News"....and I have some "Bad News." Last month I published a cover article entitled "IHRSA- The Stellar Team". Contained in that article were some comments that have caused some of the IHRSA leadership to respond. In this

issue, on page #4, I have published letters from the following: Tom Behan, IHRSA's current President of the Board of Directors, Geoff Dyer, IHRSA's immediate Past President, Julie Main and Carol Nalevenko, IHRSA Board Members on behalf of the Board and John McCarthy, IHRSA's highly esteemed Executive Director. Also, I

have received some feedback by phone, fax and emailed letters from some IHRSA members. However, I would not be honest with you if I did not state that the feedback from IHRSA members has been surprisingly low. As always, our readers across the land, the club owners and operators of America, are involved in their day-to-day club challenges and

often take some time to respond. A letter from Jim Kusnerik appears on page 16.

Believe me, I know how busy (See IHRSA Responds Page 4)

Inside The Insider

- "Insanity"- Marketing The Same Way Over & Over
- ActivTrax Customer Satisfaction
- IHRSA Survey
- The "PR Moment"
- "As I See It"

...IHRSA Responds

continued from page 3

you are.

In our March issue, on page #10, I commented on the current IHRSA Mission Statement: "To Grow, Promote and Protect The Health Club Industry". Addressing the Mission and directional change at IHRSA a few years back, I stated: "But, once again, the IHRSA Board of Directors had moved without significant consultation with the IHRSA club owners about this new direction. Also, on page #10, I stated my opinion that IHRSA was now "Threatened Again". The "again" was in recalling that the last time that I had made major comments about IHRSA's activities was 9 years ago and that was when the Board of Directors had changed the name of the Association to "Exercera" without consulting or even informing the IHRSA membership of the proposed new name.

Four Prominent IHRSA Members Have Spoken Their Mind

In my comments about IHRSA being threatened again, I cited instances with four prominent IHRSA members. Two were club owners, Mike Artega and Mark Eisenzimmer who are 3000 miles apart. And, two were prominent IHRSA Associate Members and highly sought after club business consultants, Thomas Plummer and Mike Chaet. All of these people shared one thing in common.... they felt that IHRSA had lost its touch with independent club owners. Artega manifested his disgust by resigning from the IHRSA Board. Eisenzimmer manifested his disgust by canceling the IHRSA Membership for his families four Cascade Athletic Clubs in the Portland, Oregon area. I reported that Thomas Plummer continued his total focus on his 4,000+ independent club clients with a new, electronic newsletter expressing that he was there for the independent operators. And, Mike Chaet launched a new, competing club industry Trade Association just for independent clubs called the Independent Club Operators Association. (ICOA).

Take a moment to read the four letters from Tom Behan, Julie Main and Carol Nalenvok, Geoff Dyer and John

McCarthy on this and pages 7, 16, and 26. Those four documents outline an impressive line-up of initiatives that IHRSA provides to independent club owners that I could only honestly describe as WORLD CLASS. But, in life if I have learned anything, I have seen that "perception can become reality" when things go wrong.

IHRSA Survey Contained Herein Needs Your Attention and Immediate Response

Let me make the following abundantly clear to everybody at IHRSA and this entire industry worldwide. Over 22 years ago, Rick Caro and I and other Founders, spent countless hours conceptualizing and creating the Association now called IHRSA.

There is no greater supporter of IHRSA than I. I will do what I feel is necessary to help IHRSA prosper and accomplish what we set out to do 22+ years ago. For that reason, to help IHRSA over the long-haul and to set the stage for the next 20 years and beyond, I've prepared an IHRSA Survey for Club Owner Members, Non-IHRSA Club Owners, and for Associate Members. That survey appears on page #17 of this edition. The survey will provide you, regardless of whether your club is an IHRSA Member club, non-IHRSA club or Associate Member, to share your "perceptions" and feelings about IHRSA with the entire club world. When I said before that "perception can become reality" I meant it. So, we need to know what your thoughts are on IHRSA. How you REALLY FEEL! We need to know what you like and don't like. And, we need to know your ideas and things you would like to see IHRSA do in the years to come, and we need to know your dislikes and about things that you think IHRSA is doing wrong. Good or bad, we need you to weigh in on this for the future good of the health, racquet and sportsclub industry.

The results of this survey, no matter how vast or how meager they may be, will be provided in their entirety to Tom Behan, John McCarthy and his stellar IHRSA Team and to the IHRSA Board of Directors. And, the survey results will be published in upcoming issues of The CLUB

INSIDER News.

I opened this article with the comment that I have some "Good News" and some "Bad News." The "Good News" is the IHRSA leadership has provided me with a lot of information about why and how I may have been totally wrong. I hope I was dead wrong about some of the items I wrote in the March issue cover story. If I was, that would be great and I would publish a correction on some and retraction of other comments. The "Bad News" is that I am not sure IF I was wrong or not. Only YOU, the IHRSA Member club owners and non-IHRSA clubs owners can prove if I were right or if I were wrong. This survey is your chance, and chances like this don't come along very often, to change our great industry for the better forever. Because IHRSA is now and will remain, for the foreseeable future, the single most important link to success in this great industry that there is or ever has been. IHRSA is GOOD now... but, when IHRSA becomes clear on how YOU, the IHRSA members, non-members and Associate Members feel about and perceive the Association, and what it is doing, and then changes and shapes its efforts and thrusts accordingly, it will then become GREAT! Now is the time for you to take your pen or email system and speak YOUR MIND about IHRSA by completing and forwarding to us the survey contained on page #17. This is your industry and you DO have a voice and advocate for YOUR future and a solicitor of YOUR INVOLVEMENT. It is The CLUB INSIDER News. Do not let your destiny be driven by others while you remain silent. YOU are the members of this industry whose destiny will be driven, whether you like it or not, by what IHRSA does, so you should be involved. So act now. RESPOND TO THE SURVEY and let YOUR VOICE BE HEARD!

(Norm Cates is the Publisher of The Club Insider News. Cates was IHRSA's 1st President and a co-founder of the association IHRSA honored Cates with The Dale Dibble Distinguished Service Award, in March 2001. He may be reached at clubinsidernews@mindspring.com)

April 9, 2003

Dear Norm,

I read with interest your March edition of "Club Insider News" with the IHRSA Special Edition article. I applaud your consistent support of IHRSA and our great industry. I also greatly appreciate the views and opinions you and others express regarding contemporary IHRSA issues in your periodical. In general I find myself in agreement with most of the IHRSA observations in your March edition; however a few specific suggestions and innuendos prompted me to share the following:

IHRSA is ignoring the needs of the independent club operators. This is simply not true. Some months ago the IHRSA Board realized a distortion was occurring in the IHRSA publications and emails suggesting the "chains" were the dominant focus of IHRSA and the smaller independents were shoved to the side. We discovered the larger club operators nationally and internationally generated far more press than the smaller independents, IHRSA was printing and emailing these releases, and the impression of priority to the larger players was made.

We knew this was a wrong impression as IHRSA has and will always be centered on the needs of the independent club operators. Your article visited the rich history of IHRSA and the genesis of independent clubs. An overwhelming majority of IHRSA Board members (including this President) are independent club operators. Initiatives and programs requiring resource allocations by the Board directly or indirectly benefit the independent clubs. The Board and IHRSA staff began a course correction to remedy this situation at the San Francisco board meeting. That effort will continue until both form and substance match.

There was a "forced installation" of an IHRSA board member. This suggestion is wrong. Nothing has ever been "forced" upon the Board. IHRSA's by-laws require one C class (50 or more clubs) new Board member be elected each year (out of four). The nominations committee makes new board member recommendations to the full board. The Board discusses then accepts, rejects, substitutes or does anything else required, electing the very best slate of Board nominees given all circumstances. David Giampalo's election to the Board was by majority vote and was an outstanding decision. He has proven to be invaluable as a hard working and dedicated advocate for our industry.

IHRSA has a lack of standards and enforcement of standards. The allegations in Oregon have prompted a review of the IHRSA Code of Ethics and Standards that will most likely result in a strengthening with an improved path of enforcement. I disagree that these incidents were totally ignored and nothing was done about them. Indeed a significant amount of attention has occurred and continues. Furthermore, a formal complaint filing was requested numerous times by separate sources, yet no complaint was ever filed. IHRSA cannot and should not unilaterally warn or expel a member without due process. The allegations were serious and disturbing. But to point a "has done nothing" finger at IHRSA is tantamount to asking for a home run while withholding the bat.

In summary I speak for the Board in saying we agree with you that "the times are changing" and with our industry focus on growth, promotion and protection new challenges surface. We are managing significant change as we progress from a nine to sixteen member board. We have made mistakes, bruised some egos, and missed some communication opportunities. But given all the circumstances, I'm very proud of where we are and where we are going. Along with you, I encourage every IHRSA member to voice their concerns, participate at all levels, and contribute to our industry in a positive manner.

As you so well put, "we are all in this together" and the collective strength of our growing and dynamic industry will serve us and the world well.

Best Regards,
 Tom Behan, IHRSA President

● Norm's Notes ●

"It Is The Soldier"

By the Father of United States Marine – Denis Edward O'Brien
 November 6, 1998

"It is the soldier, not the reporter,
 Who has given us freedom of the press.
 It is the soldier, not the poet,
 Who has given us freedom of speech.
 It is the soldier, not the campus organizer,
 Who has given us the freedom to demonstrate.
 It is the soldier,
 Who salutes the flag,
 Who serves beneath the flag,
 And whose coffin is draped by the flag,
 Who allows the protester to burn the flag."

●The **CLUB INSIDER** News is not a publication that engages in any political commentary. But, I felt compelled to share the poem above, "It Is The Soldier" with all of you. I would also like to extend my heartfelt sympathy to the families, loved ones and friends of our fallen troops, airmen and seamen, as our great country emerges from the War With Iraq. May God Bless all of those families, loved ones and friends and may their loss and the sacrifice of those brave men and women be forever remembered by all of us that enjoy and celebrate our Freedom as Citizens of this great country....The United States of America. Please let your prayers for healing and recovery go out to those many that have been injured. Let's never forget them or any of the millions who have fought and died or been wounded for America since the Revolutionary War. Warriors all, who sacrificed their lives in the name of Freedom for all Americans. **MAY GOD BLESS THEM ALL and GOD BLESS AMERICA!**

●"**BOTTOM-FEEDERS-UPDATE**" IS COMING! Last month, I promised that I would refocus on and report to you about health club operators that are a serious detriment to our industry in respect to how the consumers of America think of the health club industry. I am writing now to tell you that my investigation of one big-time gym owner in the Midwest is going very well. However, this investigation and report is not ready for publication in this edition. It will be soon, and next

month, on behalf of the legitimate health club operators in the region of my investigation and the 20,000+ commercial health clubs in America, their members, owners and employees, I will begin my attack in our new monthly column called the "**BOTTOM-FEEDERS UPDATE**". This will be a monthly expose of industry people that are operating their businesses as if there is **no limit to the low down and dirty things** that they can do to their competition, their members and their employees. I will not stop these monthly "**BOTTOM-FEEDERS UPDATES**" as long as I have **valid, true and verified information**. When I come with this report, it will be true, accurate and clear. And, I will be relentless with follow-up, I promise. We will accomplish what is important to accomplish. We will expose the "**BOTTOM-FEEDERS**" for what they are: People who are using our industry to get **rich** by operating their health club businesses in a manner that is **illegal, deplorable, shameful and harmful** to the American consumer and the other **20,000** or so health club operations in America. The reports will give the club owners, members, prospective members and employees of those clubs a **VOICE!** Armed with our reports, the club owners, club members, prospective members and employees out there that are getting screwed because nobody will speak out on their behalf will finally have a chance to fight back. Over 10 years ago, **The CLUB INSIDER News** was conceived and developed with the pledge

to everyone in our industry to "**TELL-IT-LIKE-IT IS**" and we will continue to do that on behalf of the 95% of our industry people that operate **ethical, fair and honest health club businesses**. **STAY TUNED**. You **DO NOT WANT TO MISS THESE "BOTTOM-FEEDERS UPDATES!"**

●The "**PR MOMENT**" is our new monthly column that is intended to arm all of you with a new weapon to use in your health, racquet or sportsclubs. The weapon: **PUBLIC RELATIONS!** Some club owners, for example the one and only, **JOE CIRULLI**, owner of the **Gainesville Health and Fitness Centers** in Gainesville, Florida, have a terrific grasp of and organizational plan for public relations. Joe just achieved a really noteworthy honor. His clubs were named as: America's Fittest and next month our "PR

Moment" will share this success with you. As a part of our "PR Moment" thrust, we've reached out to **Public Relations pro and expert, MICHAEL HOFFMAN**, President of Dana Point, California-based **HeartCommunications**, to become part the "PR Moment" team with **BONNIE PFEISTER** of **Club Legends Fitness**, in Valdosta, Georgia and I. Check out Hoffman's article in this edition **page #12** entitled: "**INSANITY**" which explains how a well conceived, planned and executed Public Relations Plan can and should help your club marketing and sales efforts, just like it has helped Bonnie and her **Club Legends Fitness Team** to take that formerly failed club from 150 members to over 3500 members in a city of 100,000, in just 3 years. Be sure to check out Bonnie's "PR Moment" article for this month on **page #18**.

●**Be A Life Saver!** If

you ever have had a member to suffer from heart attack and die while working out in your club, you may have wished then that you had an **AED. (Automated ExTERNAL Defibrillator)**. And, my guess is you have one now. And, if you have never had such an event in your club, the statistical probability that you will one day is probably quite high. The availability of this **wonderful life saving and inexpensive technology** has now prompted legislators all across the land to **propose State laws mandating the** (See Norm's Notes Page 6)

The Club Insider News Contributing Author Team

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

●**Karen D. Woodard** - President - Premium Performance Training-(303) 417-0653
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●**Michael Scott Scudder** - President - Fitness Focus - (505) 751-4236

●**Casey Conrad** - Communications Consultants-(800) 725-6147

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...Norm's Notes

continued from page 5

presence of AEDs as well as qualified AED operators in health, racquet and sportsclubs at all times. You would think that every club operator in America would invest in this all important piece of equipment. After all, you can purchase one for much less than you would pay for a good treadmill. I would like to direct your attention to **page #23** would think our new advertiser, **AvanTech's** ad appears. And, I would like to urge you to take a moment to contact **AvanTech** and learn all you can about AED's, training, etc. because you might just save a life one day.....and, that life could even be your own. **Contact AvanTech at: 1.877.598.1234** or go to their

Website: www.avantech-heartsafe.com You will surely be glad you did.

• My sincere thanks and appreciation goes to **The CLUB INSIDER News Contributing Author Team** for the terrific contributions they make to our publication and the industry at-large. Check out the "TEAM" on page 5 of Norm's Notes. Also, very special thanks to **BONNIE PATRICK MATTILIAN** who spent countless hours researching and producing our cover story this month on hospital clubs compared to commercial health clubs. Bonnie is a 17-year veteran and **Club Industry Magazine Award Winner** and a **true asset** to the health, racquet and sportsclub industry. Bonnie has launched her own company, **The Club & Spa**

Synergy Group and is available for assignments in the Northeast U.S. and other areas, as her time may permit. Bonnie may be contacted by phone at: (732) 236-2273 or email: bonniepatmat@aol.com Also, I want all of you to know that I am always seeking new members for our **Contributing Author Team**, so if you are an industry veteran with the willingness to share your knowledge and expertise on any important industry subject, just pop an email to me at: clubinsidernews@mindspring.com

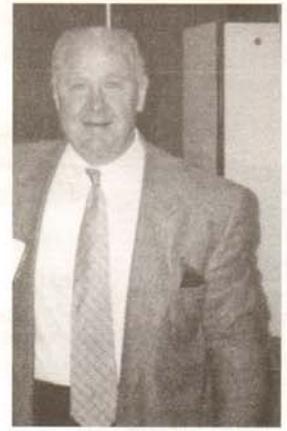
• Speaking of **true assets** to the health club industry, let me mention **THOMAS PLUMMER's** new book entitled: "**The Business of Fitness**" - *Understanding the Financial Side of Owning a Fitness Business*. Tom and **LLOYD COLLINS, President** of the **TPC Education Group**, provide a huge service to over 4,000 independent clubs owners across America with what I will describe as "some of the best health club educational content I've ever seen." In fact, a couple of years back I had the chance to sit through Plummer's two-day seminar and by the time I had finished taking notes, I had written down over 100 useful, practical and important items that would help any club operator improve the bottom line of his club. Check out the TPC ad this month on page #24. Plummer's new book has 392 pages and to order go to: www.healthlearning.com

• Congratulations to **BOB and MARY BETH PROVOST**, owners of the highly successful **Greenville Health and Racquet Club** in Greenville, S.C. as they, after 25+ years of operation, have opened a second club in their market. **Sportsclub Simpsonville**, a new 30,000 s.f. facility will celebrate its **Grand Opening** on Saturday, May 3rd. Bob and Mary Beth have been successful because they are terrific folks and for many other reasons, including three primary reasons I can think of: 1) They have **reinvested** in their original club, converting the original **Greenville Racquet Club** into one of the **nicest multi-sports clubs** you will see anywhere in America; 2) they have worked with **The Sales Makers Team** of **RAY GORDON** and **EDDIE TOCK** for years and years, and have experienced amazing membership growth through those efforts; 3) they have installed **RICH BOGGS'**

and **RAY IRWIN's Body Training Systems**, giving them top-notch, world class group exercise programs. Good luck Bob and Mary Beth and Team as you move on as multi-club operators!

• **CARLOS DIXON** operates a business called **SolRac Designs**, based in the Atlanta, Georgia area. SolRac Designs provides excellent graphic design work for health, racquet and sportsclubs. Check out the SolRac ad on **page #25** of this edition. Just keep in mind the fact that the more attractive the exterior and interior of your club is, the better your daily traffic, membership sales and retention will be.

• **ED WILLIAMS**, the CEO of mega-club operators, **Wellbridge Corporation**, informs me that **MATTHEW STEVENS** has departed Wellbridge to take the role of **President of the Spectrum Clubs**. In an email memo to the industry, Ed Williams wrote: "It is with both heartfelt congratulations and more than a twinge of sadness that I announce Matthew's resignation from Wellbridge. His last day will be May 15 and he will begin his new job as President of The Spectrum on May 31. In his nine years at Wellbridge, Matthew has been instrumental in our growth. His tireless dedication and boundless enthusiasm have created one of the most dynamic sales operations in the industry, and we all know his efforts didn't stop there. Indeed, even his title couldn't begin to describe all that he did for the company. Since Matthew is a friend,



Norm Cates, Jr.

coupled with the fact that this is a small industry, I know I will continue to feel his presence. We wish he and **HEATHER** the very best as they start a new chapter of their lives in L.A." Wellbridge Corporation has also announced that **DEBRA REGAN** has been named **Vice President, Product and Services**. Wellbridge owns and operates 47 or more of America's most terrific clubs, including the awesome **Concourse Athletic Club**, Atlanta, GA, one of the top clubs in the world. Congrats to Matthew.

• The one and only, **RAY WILSON**, is at it again! Ray has, as he always does, identified the "next great wave" for the fitness industry, and he is rolling out a new chain of clubs targeted to the **50+ plus market**. Why does it not surprise me that Ray, now 75 years of age, would be **first in America** on this? Ray's new (See Norm's Notes Page 18)

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Dear Norm:

While it may appear to some that IHRSA is not focused on serving smaller club groups, that is not the case. To mention but a few examples:

1. The IHRSA Advantage program, composed of outside the industry suppliers (such as Sylvania for lighting, Staples for office supplies, Grainger for janitorial supplies, The Hartford for Workers Comp Insurance, Travelers and AIG for Property and Casualty Insurance, APPI for energy, ADT for security systems, ADP for payroll services, Human Kinetics for fitness resources, etc.) has but one purpose: to give independent club operators the same type of buying leverage that larger companies already enjoy.

2. The IHRSA TIPS Program is totally oriented toward assisting independent operators. TIPS (Tactical Information Packets) are short bursts of information (10 Tips) focused on specific topics of crucial importance to independent clubs. TIPS are accessible to members through the IHRSA website.

3. IHRSA's new sales training program provides smaller club operators with a sales training resource that only the largest club companies could afford. This program is already serving over 100 independent clubs.

4. Almost the entire convention is focused on issues of tactical importance to independent club operators. 90% of those who attend the convention, and 97% of those that speak at the convention are independent club operators.

5. The entire Passport Program is designed to give independent clubs some of the marketing leverage that the larger chains enjoy. A member of any IHRSA club becomes, as it were, a member of more than 3,000 other clubs worldwide.

6. The Annual IHRSA Institute for Professional Club Management, which will take place this August in Boston, is taught by, subscribed by, and designed for independent club leaders. Hundreds of the industry's most successful independent

(Continued Middle Right of Page)

club leaders have been involved in the Institute.

7. Every legislative initiative that IHRSA undertakes helps smaller club groups even more than it does the larger chains which are often able to fend for themselves. The IHRSA board now allocates 107% of every US membership dollar on public policy initiatives.

Norm, these are only a few of the IHRSA initiatives aimed at helping small clubs. I could easily mention 10 more.

Best Regards,

John McCarthy
IHRSA

PUBLISHER'S NOTE: We wrote back to John asking him to go ahead and name some of the other IHRSA Initiatives and he did. Those additional and very important services for independent clubs delivered everyday by IHRSA appear below.

7 Additional IHRSA Initiatives To Help Independent Club Owners

1. the Legislative Alerts whenever a dangerous new bill is being discussed in any state
2. the Weekly Capitol Reports covering all relevant federal and state legislative actions
3. the Annual Industry Data Survey
4. the numerous sampling programs
5. the IHRSA Index report that tracks quarterly results on same store sales, so that club's can evaluate how they are doing
6. the annual special publications (this year, The Benefits of Working Out In a Health Club)
7. the IIEH electronics reports on the health benefits of regular exercise

(See More Letters Page 16)

...Bonnie Patrick

continued from page 3

Hospital

Average payroll costs at 40%+ of gross revenues. Staff were required to have a national certification, credentialing and/or be degreed in an exercise-related field. A number of specialties were defined and special training provided for the staff to deliver services to members with more complex medical histories. A number of facilities have physicians and nurses on staff.

Boone believes that commercial centers "still have untrained, unprofessional people that are 'on the job trained' for the jobs that they do. They are not providing the orientation, the safety training

and the safety monitoring for people that perhaps they should. I am not trying to be negative toward them; I'm just trying to say it is a different model of doing business". That may be true in some commercial centers, but may also apply to some hospital facilities as well.

Intake Processes Commercial

Mostly Par-Q, or a version of the Par Q is used. 70-100% of new members are screened. 1-5% of new members require medical clearance. Methods for physician contact for clearance included faxing, telephoning, or sending a letter from a membership person or a fitness staff person. Or the patient can request the same info directly from their physician, and get that info back to the club. The

club will continue communication with the physician, upon member or physician request with parameters for programming and for future contact. Individualized exercise programs are developed for the member, with follow-up as needed, or quarterly. The new member is guided to specific programs and classes offered within the club to help with any medical conditions that may be present, or simply to provide education for preventive purposes. Some do submaximal testing.

Hospital

Individualized or customized version of the Par-Q is developed internally. About 85% are screened; the percentage requiring medical clearance is unknown. Methods for physician contact for clearance include faxing, telephoning or sending a letter from a membership person, a fitness staff person or a nurse. Some clubs do lab work (undefined) and submaximal testing. The baseline evaluation is discussed with a physician if anything is outside of a norm, and a plan is developed for follow-up for the outcomes of the exercise programming. The physician may make recommendations in writing. The new member is guided to specific programs and classes offered within the club or within the hospital system to help with any medical conditions that may be present or simply to provide education for preventive purposes.

Industry-wide intake processing is an area of club operations where we can expect changes in the future. As the population ages and members present themselves with more complex medical histories, all operators need the tools, technology and staff to identify these factors, and to know how to guide the individual with a membership tailored to his individual needs. The Health Design Center at the Health and Wellness Center by Doylestown Hospital in Pennsylvania has designed a comprehensive computerized screening tool for intake, which then details specific recommendations for the individual in his membership, which may be a template for intake processes for the future.

The physician response is another issue. Typically, physician offices are overwhelmed with paperwork.

It is challenging to get a fax signed and returned. In many cases, the physician may even be unfamiliar with specifics relative to the member's condition and exercise. Many clubs are utilizing ACSM guidelines for exercise when it comes to exercise programming for members with clinical or special needs.

Boone believes his Center to be one of the best in this category. His facility receives "hundreds" of direct referrals from physicians. Because his Center has built a relationship with the medical staff, they treat the medical clearance as any other referral a clinician might get. His facility contacts the referring physician every 30 days with feedback on the member's progress. He concedes there are some medically-directed centers that are out there that may receive a written medical clearance from a physician but may not do any further follow-up. That is not the optimal way, but admittedly he says it does happen.

Page's Maryland Athletic Club also does an excellent job of intake. About 5% of prospects screened through their hybrid Par-Q are directed to a Johns Hopkins Safe Start program due to identified increased risk. The program is located within the facility, and after 8 weeks the new member transitions into a Healthy Start program in the club. "The transition is seamless", he explains, "We've identified certain factors which help us lead the prospect to a safer, more effective exercise program. And since the program is run in our center by Johns Hopkins, the prospective member knows he or she will be well taken care of."

Programs Commercial

Screenings: Blood pressure, pulse oximetry, stroke risk assessment, cardiac risk assessment, cholesterol, hearing, skin cancer, osteoporosis, vision, postural analysis, diabetes management.

Wellness topics: Laughter/humor, arthritis, back care, healthy cooking, stress management, weight management, nutrition, alternative therapies, asthma, allergies, massage therapy, yoga, Tai Chi, Watsu, aquatic therapy, flu shots.

Childrens Programs: Summer camps, basketball, soccer, sports conditioning training,

weight management, swimming lessons, gymnastics. Some had a child care center, but no structured children's programs.

Hospital

Screenings: Blood pressure, pulse oximetry, stroke risk assessment, cardiac risk assessment, cholesterol, hearing, skin cancer, osteoporosis, vision, postural analysis.

Wellness topics: Crone's disease, living with cancer, blood pressure, pulse oximetry, stroke risk assessment, cholesterol, hearing, skin cancer, osteoporosis, vision, postural analysis, diabetes management.

Childrens Programs: Summer camps, basketball, soccer, sports conditioning training, weight management, swimming lessons, gymnastics. Many centers have child care centers.

There are virtually no differences here. As long as the session is led by a qualified and credentialed professional, the special needs of all members are served.

Community Services Commercial

Fundraisers for breast cancer and other charities, 5/10k races, children's toy drives. Many donate memberships to charities. Most favor one or more local charities and assist local charities of national ones.

Hospital

Subsidized memberships for those in need who can't afford a membership, hospital-related fund raising drives, fundraisers for breast cancer and other charities, 5/10k races, children's toy drives.

Some hospital centers claim to provide hundreds of thousands of dollars in community benefits, far exceeding what the tax burden would be. This may not be documented in detail but is a general statement of commitment.

For-profit facilities argue this point. Many also provide hundreds of thousands of dollars in community benefits, and still pay taxes. They say the not-for-profit centers should isolate just the fitness center's financial statement, to reconcile exactly what that amount is.

That's tough for hospitals to do. Boone says, "The argument that is missed, particularly if you are a part of a health system, is you can't

(See Bonnie Patrick Page 10)

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...Bonnie Patrick

continued from page 8

extricate who you are and what you are. The service lines are interconnected."

Member Demographics/ Membership Data Commercial

Gender is almost even at 52% female, 48% male. Average age estimate breakdown is 26% under 40, 38% 40-50, 28% 50-60, 8% 60+. 66% of new members were members of other clubs previously. Attrition averaged at 27.7%.

Membership breakdown:

Single/Individual 55%, Couple 32%, Family 13%.

Initiation fee collected: 0-\$395. Monthly individual dues: \$63-\$97.

Hospital staff rates: Initiation

fee: 0-\$197, monthly individual dues: \$47-\$94.

Percentage of hospital members out of total membership: 5-10%

Hospital

Gender is 60% female, 40% male. Average age estimate breakdown is 20% under 40, 40% 40-50, 30% 50-60, 10% 60+. 50% of new members were members of other clubs previously. Attrition averaged 15%.

Membership breakdown: N/A
Initiation fee collected: Around \$400. Monthly individual dues: \$80.

Hospital staff rates: Initiation fee: \$200, monthly individual dues: \$50.

Percentage of hospital members out of total membership: 10%

The 2002 IHRSA

Global Report states that the majority of all commercial club members (36.5%) are between 35-54 years of age, and 46% have an annual household income of \$75,000+. 52% of club members are identified in the report as women, 48% men.

Page states that some hospitals subsidize 50% of their hospital employee memberships. That's a tough thing to do and remain profitable, since the costs and operating expenses attributed to those members are the same.

Carl Porter's Michigan Athletic Club at the Sparrow Health Pavilion questioned the not-for-profit facilities that are targeting an upscale demographic. Porter said, "Not-for-profit facilities that target upscale clientele are not being true to their not-for-profit charter, which dictates serving a segment of the community and their needs, specifically those in lower income categories."

Financial Performance Commercial

The Centers we surveyed were between 2.5 and 12 years old. EBITDA averaged between 20-30% of gross revenues. There was no reported revenue from medical tenant spaces. As a percentage of total revenue, Payroll and benefits accounted for 33-39%, Capital Expenditures was at 4%, Marketing was between 1 and 3%, and Repairs and Maintenance accounted for .6-3.5%

Hospital

The Center is brand new. EBITDA is anticipated to be 30%. As a percentage of total revenue, payroll and benefits account for 40%, Capital Expenses are 3%, Marketing is at 10%, Repairs and Maintenance are N/A.

Karl Droppers, Executive V.P. of the RDV Sportsplex in Orlando, FL., says his operation includes programs and services with Florida Hospital. He argues that financially, clubs need to make money to return to the investors, employees and stakeholders, which continues the circle in bringing value to the community. "Not-for-profit clubs should be covering operating costs, and that's it", he concluded.

In Page's experiences, he noted that typically a not-for-profit hospital facility will operate on a 4-8% margin,

when all of the other hospital functions are extrapolated from the financials.

Rick Caro of Management Vision, Inc. in New York City, has some strong opinions on this matter. Caro told us: "Generally speaking, a commercial club attracts private investors who have many choices for their investments. In today's world, a 15% annualized return is a *minimum* to attract their funds. They want a solid, predictable operating business that is financeable. They assume reasonable debt of about 60-65% of total value and an opportunity to refinance after 5 or 10 years of solid operating history.

A hospital may agree to create a club that does not lose money or has a low projected ROI. It often does not have to reach the 15% level even at maturity. Sometimes, the business decision is one tied to use of existing land on a medical campus or an emphasis on having a marketing vehicle in another part of town (or even a rival hospital's backyard) or based on a piece of land donated by a benefactor or an opportunity to create space which has a hospital unit inside (e.g., a physical therapy practice). Also, the hospital may not be rigorous about breaking out all centralized costs to this division, so the fitness component may not be allocated all costs for marketing and printing, maintenance or landscaping, human resource services, back office staff, accounting and bookkeeping, etc.

Many hospital-based facilities elect the for-profit designation for a range of reasons, including the fear that the fitness facility - which may account for under 5% of the hospital's total revenue - should not jeopardize the entire status of the overall hospital and health system if tested as a tax-exempt entity. So, a for-profit subsidiary is created just the way museums did for their retail stores and magazines."

Conclusion and Summary

Unfortunately, the differences are still blurred. There are still more similarities than there are variances. A full-scale in-depth study would help with this definition. Until there are more defined criteria and operating standards as to what

is a medically-based, not-for-profit and a medically-based for-profit, the argument will continue. Had we received more response from some non-profit hospital facilities, we might have seen things differently.

Not-for-profit hospital facilities have asked that if for-profit facilities are indeed so alike to theirs, why don't the for-profits file for exempt status? Helen Durkin of IHRSA responds, "Some for-profit facilities have looked into it, and have not qualified for non-profit status."

Both sides welcome competition. Whenever a club opens next to an existing club, there will be differences and market segmentation, with the consumer deciding their preference. Sometimes a stronger operator will dominate the market. Look at Home Depots and Lowe's Home Improvement Centers. Lowe's are now opening in the same markets, many times across the street from a Home Depot because the demographics for the area are so strong.

The only difference is they are competing on even turf.

Author's Note:

The **CLUB INSIDER** News intends to continue gathering data through our in-depth survey. We need concrete data to analyze the facts, that will then be presented in a completely impartial and non-partisan format. Any for-profit or not-for-profit wellness center is invited and encouraged to participate. All data will be kept confidential and summarized for information sharing and publication in a non-partial format. For and not-for-profit hospital facilities may participate by contacting the author as listed below to receive the survey.

(Bonnie Patrick Mattalian is a 17-year industry veteran with experience in both the commercial and hospital fitness centers. She is a Principal with The Club and Spa Synergy Group www.clubssynergygroup.com, a network of specialists providing turn-key performance solutions for existing facilities and start ups. Contact Bonnie at (732) 236-2273 or bonniepatmat@aol.com.)

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Marketing the Same Way Over and Over Again and Expecting a Different Result

By: Michael Hoffman

There we were! Augie Nieto and I standing on the Lifecycle display stage at the Great American Workout on the South Lawn of the White House on May 1, 1990. Arnold Schwarzenegger and President Bush stepped up on the platform and jumped on their Lifecycles with hundreds of photographers from all over the nation following their every move.

Arnold started pedaling his bike and pushed the Start button for his brief workout, but the President forgot to pedal and just kept pushing the Start button to no avail. And though the Secret Service had warned us not to approach either Arnold or the President, I bit the bullet, stepped forward and instructed Mr. Bush to start pedaling, then hit the Start button.

He laughed, and said, “Oh, that’s right! I forgot!” And Arnold laughed, too, pointing to the President saying, “Hey, Michael, don’t make him too fit!”

At that instant, with both of them laughing, the cameras went off and the photo appeared the next day via Associated Press, Reuters and countless other news syndicates in more than 1,000 newspapers across America. TV news footage of the scene appeared too, on thousands of stations that evening and the following morning.

BRAND IMAGE AS A CAPITAL ASSET

Millions of Americans, most of whom had never even set foot in a health club, saw the Lifecycles and the brand name that day, and the whole thing happened because Life Fitness, at that time, was running one of the most powerful PR campaigns the fitness industry has ever seen.

Augie believed in the value of PR and made sure my Corporate Communications Department received a sizable chunk of the company’s annual marketing budget, usually over \$400,000. He understood what the Harvard Business School

Press’ author, Charles Fombrun meant in his famous book - *Reputation: Realizing Value from the Corporate Image* - when he said a good reputation boosts sales and a weak one costs you money.

Fombrun explains that your business’ reputation is actually a capital asset and that you can directly track revenue generated by how well your company is respected by the marketplace. There are literally hundreds of examples of this! For instance, the comparison between the Exxon Valdez tragedy and Johnson & Johnson’s Tylenol poisoning scare. J & J’s corporate culture made reputation management a core marketing policy. In addition to hefty advertising - who could forget the line - ‘I’m stuck on Band-Aids, because Band-Aids’ stuck on me!’ - J & J also invested heavily in its public relations campaigning, which still involves public health affairs, lobbying and education. When Tylenol bottles were found to have been tampered with, the media and the public at large immediately assumed that the company would solve the problem and praised J & J management’s swift response.

On the flip side, Exxon was an industrial company with much less public visibility. It wasn’t reputed to be a champion of the environment and did little to create a reputation for global stewardship. When the Valdez spill happened, Exxon didn’t have a leg to stand on. The media tore into the company, questioning the professionalism of an allegedly drunken captain and the unending pictures of dying waterfowl and sea mammals still plague the company’s image.

DON’T BE AN ADDICT

It wasn’t advertising that allowed Johnson & Johnson to come out of the Tylenol scare looking like a hero and it wasn’t advertising that left Exxon with a black eye. It was the PR behavior of both companies that determined how their images were affected by the events. The bottom-line - good PR will make you more money in the long run than advertising.

Says who? Try the new book - *The Fall of Advertising and the Rise of PR* - by Al Ries. He’s the fellow who co-authored the landmark marketing books, *Positioning: A Battle for the Mind*, *The 22 Immutable Laws of Marketing* and *The 22 Immutable Laws of Branding*. He explains that PR work that results in non-paid third party endorsements, primarily in trade and mainstream consumer media, earns your company two things - 1) brand recognition and 2) trust from your stakeholders.

Acting like they think they know more than experienced Wall St. PR people, club operators all too often continue to rely on expensive, credibility-challenged advertising campaigns to try to build their brand images, and it just doesn’t work. Scan the beautiful body-price, discount style ads in any weekend newspaper and you quickly understand why the club business still isn’t taken very seriously. Club marketers simply act like junkies who keep putting more and more money into the same thing - print and broadcast ads instead of magazine, newspaper, radio and TV stories and public affairs campaigns like Norm Cates’ ‘Battle of the Atlanta Cheerleaders and his Police Appreciation Ball. You get high when you get a temporary flood of response to your ads, but once the ad run is over, you are left with nothing. You need another fix, so you spend more money on more ads to generate more short-term revenue. It’s insane, but the club industry and its so-called marketing gurus have been doing this same thing for 50 years. It’s time for a change.

And you can bet I take my own advice. When I resigned from Life Fitness to start my own sole proprietorship in PR, I knew I had to keep establishing my credibility. I also knew that repeatedly placing ads in CBI and other industry publications would be too expensive. Instead, I started authoring columns and feature stories in CBI, FITNESS MANAGEMENT, CLUB INSIDER NEWS, NATIONAL FITNESS TRADE JOURNAL, CLUB INDUSTRY and HEALTH & FITNESS BUSI-

NESS, plus running PR workshops at the trade shows. And, I managed to get a full-page story about my entrepreneurship in the Money section of USA TODAY on July 3, 2001. That story cost me virtually nothing but a phone call and some snailmail to generate, and it appeared with a terrific personal photo. That one story alone still keeps producing new business for me.

DO PR FIRST, THEN ADVERTISE

A creative PR campaign is more effective than an expensive ad campaign for four reasons:

1. A great ad is like a great athlete; it gets old and burns out.
2. Most people don’t believe what they read/see in ads.
3. Ads are easy to forget; newspaper articles and TV stories have better recall value and contain more useful information.
4. Ads cost more to produce and place than information-rich PR campaigns.

EXAMPLE: Remember Budweiser’s big ‘Whassup?’ TV campaign? What a bomb, a bunch of whack jobs babbling to each other. Bud’s sales in millions of barrels of beer fell more than 15% after that campaign was launched. Why? Because it was funny, but pointless. Because it didn’t tell you why you should drink Bud and because it was very forgettable.

On the flip side, Starbuck’s Coffee did absolutely no advertising for their first three years of operation. Instead, they placed business stories, held community service meetings in their stores and became local heroes. Once the public trusted the brand, Starbucks began to advertise. Lesson learned - create your reputation with PR, then reinforce it with ads.

IMAGE ADS ARE THE GOOD ADS

Don’t get me wrong, there is a place for advertising. You have to inform the public



Michael Hoffman

about what you offer, but the style you use determines your image. For example, Heart Communications started a personality profile image ad campaign for ClubCorp three years ago. Since then, we have highlighted more than 100 of their members in local newspapers, with stylish candid photos and pithy 100-word biographies that talk all about the member’s contribution to the community. The ads only cost \$4,000 each to produce and place, but Steve Tharrett, VP of Tennis and Athletics for ClubCorp, and Anne Butera, Member Relations Director at ClubCorp’s Rivers Club in Pittsburgh testify to the campaigns generating hundreds of thousands of new membership dollars each year, not to mention an increase in current member enthusiasm and club use.

So, while it is true that you need to advertise membership promotions periodically, the image you could have created with credible PR beforehand will make those offers much more appealing to a possibly sceptical public.

(The Public Relations Society of America, based in New York City, is the crown of creation for PR people. More than 250,000 PRSA members work hard to practice and teach the discipline of credibility building with PR. You can reach PRSA at 212-995-2230. To Contact Michael call: (949) 489-0301 or go to www.heartcom.net)

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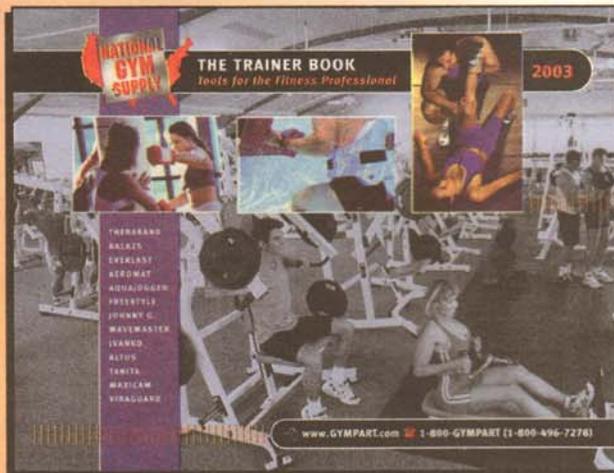
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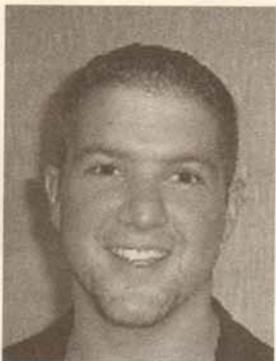
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Joel Schlossberg

-Eric McGraw, Owner, Fitness Central



Rob Wagner

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-Rob Wagner, General Manager, Alexander's Athletic Club

"ActivTrax has really enhanced our menu of fitness options. At Sport & Health. We offer three basic fitness options: Personal Training, Group Personal Training or ActivTrax. ActivTrax has allowed us to add a third dimension to our

fitness options, one that everyone can afford. In addition to being a great way to 'on-board' a new member, ActivTrax lets us track our members after they have joined. Being friendly at the front desk is not enough with brand new clubs popping up every five miles. At Sport & Health, we have launched an in-depth *Member Retention Management Campaign* and ActivTrax is helping us do that. We know where our members are, where they have been, and if they're sticking with it. This system is going to revolutionize member retention management for our industry."

-Michael Meehan, Senior VP, Director of Operations, Sport & Health Clubs

"What keeps me coming faithfully 3 - 4 times a week after 6 months is the knowledge that a piece of paper with my name on it is waiting for me. Everything that I need to complete a solid workout is written down, custom-made for me! The other extremely important element is that every workout is different. I never get bored with ActivTrax! The results have been completely gratifying. I've lost 40 pounds.

I'm wearing sizes I wore when I was in my 20s—and looking better in them than I did then. My cholesterol is down, my bone mass is up, and so are my spirits and stamina."

-Nora Rumpf, Health Club Member & ActivTrax User



Ellen DeCarlo

"I love ActivTrax. For me, there are 2 main benefits: #1—it's completely "mindless." After a hard day at work, the last thing I want to do is figure out what I need to work on at the gym. I pick up my form and do what it says. #2—it provides a workout for my whole body. I had been a member of another gym before,

and had never thought to do exercises for my back and chest. This winter I was able to shovel all that snow without any aches and pains afterwards. I recommend ActivTrax to everyone I know (really)."

-Ellen DeCarlo, Health Club Member & ActivTrax User

"I find ActivTrax to be an excellent workout. It gives me a track to run on, instead of aimlessly going from machine to machine, with marginal results."

-Bill Levin, Health Club Member & ActivTrax User

"Beginning a workout routine at the gym can be a daunting process. You are confronted with an array of machines and very little idea how to use them. Activtrax takes the fear out of it by providing you with detailed instructions. The program is easy to use, and you can keep track of your progress on the web. I can't imagine going to the gym without Activtrax."

-Wendy Lane Bailey, Health Club Member & ActivTrax User

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Vis•i•tor (viz-i-ter) *n.* one that visits; a short-term guest: *Not a single one of the club staff knew the visitor's name or how he used the club.*

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April 15, 2003

Dear Norm,

I would like to share my thoughts with respect to the concern that the interests of IHRSA staff and IHRSA leadership has shifted away from the single club operator and are becoming more aligned with the concerns of the multi-club operator.

IHRSA membership continues to consist of single club operators for the most part. Education, networking and the sharing of ideas and information continue to be at the core of the annual convention and trade show. To the best of my knowledge, IHRSA leadership and staff have not made any conscious shift "away" from fulfilling the needs of the single club operators, certainly not during my 4 years of participation as an IHRSA Board member.

Over the last 5 years, IHRSA has also seen the development of the Independent Leadership Council (ILC). The ILC consisted of an independent group of large multi-club operators that came together to identify the concerns they felt were not being addressed by IHRSA, more specifically, the image of the industry and protection of the industry particularly with respect to fair competition and the passage of legislation, without resistance, in many US states.

The IHRSA staff listened to and addressed the issues and concerns of the ILC. An aggressive fund raising campaign was initiated by the ILC with support from IHRSA to address the fair competition issues and for the fiscal year ending June 2003; the ILC collectively will have raised more than \$400,000 for this purpose. This fundraising effort was mirrored by the Independent Club Operators (ICC) and this group, earmarked for the same purpose, raised another \$150,000. 100% of all monies raised by the ICC and ILC are specifically targeted at initiatives that will ultimately result in a level playing field for all club operators, big and small. Most fair competition issues are fought by single club operators with full funding support provided by ILC contributions and/or funds provided by IHRSA. Without the generous support of the ILC fund, many of these fair competition battles would be lost.

The IHRSA Board and the membership voted to expand the Board from 9 members to 16 members. The purpose of this change in governance was to increase the depth and scope of Board representation and address more fully, the needs and concerns of both the independent club operators in addition to the multi-club
(See *Geoffrey Dyer* Page 26)

Dear Club Insider;

As IHRSA Board members and independent club operators, we would like to take this opportunity to respond to your editorial in the March 2003 Club Insider.

We both attended the IHRSA Advisory Council Meeting on March 29th in San Francisco and took to heart the comments from Mark Eisenzimmer and others at that meeting. We heard there are two concerns. First, a standards related situation. Second, there is a perception that IHRSA has switched its focus from the independent club operators to the large chain clubs and operators.

Let us address the latter first. The perception that IHRSA has switched its focus could not be further from the truth. At the last Board meeting in SF before the convention, the entire Board agreed that communication was a problem in respect to this perception. IHRSA has never directed its focus away from the needs of independent club operators to those of multi or chain club operators, and the board composition continues to reflect this. Proposed remedies for this perception are already on the agenda for the May Board meeting.

We would also like to point out that there is a two-way responsibility here for fixing the problem. IHRSA will continue to grow, support and protect the interests of the independent club operators, but those same operators have a responsibility to communicate with IHRSA (both staff and board). We need to know what the concerns are so that we may fully understand and address them. When an independent club operator has a success, a story to tell, a new programming idea, etc. we need them to speak up so that we can publish it to the others we serve.

On the standards concern, if a club has an issue with another club's code of conduct, it is that club's responsibility to file a complaint. In a future CBI we will publish the entire standards code and the method to be employed if there is a standards violation. A club must file a complaint for the Board and staff to investigate. We encourage any IHRSA club (small, single, large, or chain) to use this process if there is a concern. Both IHRSA staff and the IHRSA board will then investigate.

We appreciate your, Norm, and the Club Insider's help to communicate our courses of action to IHRSA clubs, resolve these issues and improve the communications between IHRSA and its members. Please feel free to contact either one of us if you have any questions, concerns or comments regarding these issues.

Julie Main
General Manager,
Santa Barbara Athletic
juliem@sbathleticclub.com

Carole Nalavenko
Club President,
DMB Clubs
cnalavanko@dmbclubs.com

Dear Norm,

I enjoyed reading your article in this month's club insider about the present condition of IHRSA. I applaud Mark Eisenzimmer and Mike Arteaga for drawing the line in the sand and sticking to principles of honesty and integrity. Our clubs are located in southern Oregon. We have been in business since 1978 and opened a second club in 1995. Two years ago, 24 Hour Fitness leased a 33,000 square-foot space approximately a Tiger Woods tee shot from our first club. When they first opened the corporate rates were at \$15 - \$17 per month. I explained my frustration to John McCarthy in a letter stating that I might not be the sharpest pencil in the pack but it just wasn't making economic sense to me. A year had past then the incident that made me write the letter was when their sales staff told people that we were closing. In reality, we refinish our court surfaces every year and close down for one or 2 days during this process. Luckily, the people were smart enough and didn't go for the quick sale approach. "Buy today because I won't be able to offer you this deal again". This type of sales approach and the low ball tactics do nothing but damage the integrity of the health club business. The IHRSA standards need to be reviewed, updated and implemented in order for the organization to move forward. I would volunteer my time if there is a committee that is working on this project. Finally, keep up the good work. Great article on my friend, neighbor and training partner Bill Pearl and others that you have covered over the years.

Jim Kusnerik
CEO Superior Athletic Clubs
Medford, Oregon
541-779-7529

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Mr. Tom Behan, IHRSA President

April 21, 2003

Dear Tom,

Thank you for your letter to me dated April 9, 2003. And, thanks to Julie Main, Carol Nalavenko, Geoffrey Dyer and John McCarthy for their very informative and I hope, helpful letters. All of your letters appear in this April issue along with a letter from Jim Kusnerick. It is my view that the information contained in those letters is significant evidence that the real issue we are dealing with here is "perception", not reality. By that I mean, and I've heard it from many IHRSA Members, the "perception" that IHRSA has focused on the "big-boys", losing touch with the independent club owners. In this regard, I am like all of you leaders and do not believe that the "perception" out there is correct, but I strongly believe that it IS the "perception." The core message in my IHRSA Leaders Respond" article is: "perception" can become reality, if not tended to.

My page 3 article entitled: "IHRSA Leaders Respond...So Should the Members", contains my acknowledgment that I may have been wrong on some of the things I published, as you and the other leaders so well pointed out. So, in lieu of that possibility, I've prepared, and they appear on page #17, Surveys of the IHRSA Member Clubs, the IHRSA Associate Members and Non-IHRSA clubs. Those 3 factions hold the facts, not you all, and certainly not me. However, it is my very strong view that "how the members perceive and feel about what the Association leadership is doing drives IHRSA."

In closing, I want to express my sincere thanks and appreciation to you Tom, all of the IHRSA Board Members now and over IHRSA's first 22 years, for the dedication, time and hard work you have put into service to IHRSA and the club industry. I know you don't get paid for what can easily end up being 30-40 hour IHRSA work weeks during certain times, and I truly appreciate your willingness and dedication to serve. It is that dedication and willingness that has made IHRSA "The Stellar Team" it is now and will continue to be. My efforts in March in no way should be perceived as a "personal" attack on anybody. To the contrary, it is open communication amongst the leadership and the members that has carried IHRSA to the terrific level it now enjoys. I am only seeking to revitalize and renew that communication. And, it has been the dedicated, skilled and creative leadership of one John McCarthy that has brought it all together for all these years. IHRSA is very fortunate to have such a visionary and skilled leader as Big John.

Sincerely,
Norm Cates, Jr.
1st IHRSA President and Co-founder and IHRSA's #1 Supporter

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IHRSA Member, Associate Member And Non-IHRSA Member Survey

Publisher's Note- The following three surveys are aimed at: IHRSA Member Clubs (top-left survey), IHRSA Non-Member Clubs (top-right survey) and IHRSA Associate Members. (Bottom survey) These surveys are intended to gauge what you like and dislike about IHRSA and to provide you with input about IHRSA's future. It does not matter if your club is an IHRSA member-club or not, in the long run, IHRSA will have an impact and influence on your club business. Therefore, we urge all non-IHRSA member and IHRSA member clubs and all Associate Members to have your say because it might just be that input that helps IHRSA better serve you. Respondents may elect to remain anonymous simply by marking that choice on the survey. We pledge and guarantee your anonymity if you check that space. You may complete the survey online by going to: clubinsidernews@mindspring.com and clicking on the "Survey Link". To say "Thanks" to all survey respondents will receive the gift of a 3 month subscription expiration date extension, or non subscribers will receive a complimentary 3-month "trial" subscription. Our sincere thanks for responding by email by going to: www.clubinsidernews.com and clicking on the "Survey" link or mailing the survey to: The CLUB INSIDER News, P.O. Box 681241, Marietta, GA. 30068-0021 or faxing it to: (770) 933-9698. Thanks for taking the time to respond!

IHRSA MEMBER CLUB SURVEY (Print)

Optional: Name _____ Company Name _____
Address _____ City, St. Zip _____
Email: _____ Ph#:() - _____ Fax#() - _____

Note: All respondents will receive a 3 month subscription as a gift for completing and forwarding this survey.

YES, I will provide my name, etc. for gift subscription purposes, but wish to remain anonymous. DO NOT PUBLISH MY NAME or MY CLUB NAME!

1. How long have you been in the health club business? _____ How many locations do you own/operate? _____
2. How long has your club been an IHRSA member club? _____
3. Do you regularly attend the IHRSA Annual Convention and Trade Show? _____ If yes, please state the 3 primary reasons you do. If no, please state the 3 primary reasons you don't. 1) _____ 2) _____ 3) _____
4. Were you aware of all of the initiatives that IHRSA provides all of its member clubs, as outlined in this issue in the letters for the IHRSA leaders? _____ Yes _____ No.
5. From all of the IHRSA Benefits listed in the letters from Tom Behan, Geoff Dyer, Julie Main and John McCarthy, which do you regularly use and which provide ongoing value to you? _____
6. In general, are you happy with your investment in IHRSA? _____ YES _____ No. If yes, do you have any constructive suggestions? _____ YES _____ No. If yes, state your mind here: _____
7. How do you feel about the large chains like Bally Total Fitness and 24 Hour Fitness, being members of IHRSA? _____
8. How do you feel about IHRSA's ongoing fight with the YMCA's, non-profit hospital clubs, etc. and the allocation of a significant portion IHRSA's capital for that effort? _____
9. Has your club ever been seriously threatened by non-profit competition? _____ Yes _____ No
10. In your honest and candid opinion, is there anything that you want to see fixed at IHRSA to make you happier as a member club? _____

In closing, The CLUB INSIDER News Pledges total anonymity if you've checked that is your wish.

Non IHRSA Club Member Survey (Print)

Optional: Name _____ Company Name _____
Address _____ City, St. Zip _____
Email: _____ Ph#:() - _____ Fax#() - _____

Note: All respondents will receive a 3 month subscription as a gift for completing and forwarding this survey.

Yes, I am providing my name and address for the 3 month subscription gift, but I DO NOT WISH TO HAVE MY NAME or CLUB NAME PUBLISHED. If your club is an IHRSA Member Club, stop here and go to the survey on the left side of the page.

1. When did you first learn about IHRSA? _____ How? _____
2. Has your club ever been an IHRSA Member Club? _____ If yes, when did you join and when did you leave IHRSA Membership? _____
3. Why did you discontinue as an IHRSA Member Club? _____
4. Since your club is a "former" IHRSA Member Club, were you or are you now aware of all of the initiatives IHRSA now offers, shown on the IHRSA Leaders letters on pages 4, 7 & 16? _____ Yes _____ No
5. What are your expectations of a health club trade association? _____
6. What would it take to get you to consider rejoining IHRSA? _____
7. If your answer to question #2 above was NO, based on what you now know, would you consider joining IHRSA? _____ Yes _____ No
8. If your answer to #7 is YES, may we have an IHRSA Membership Sales Associate contact you about membership? _____ Yes _____ No If YES, how? By phone or email? _____ Phone _____ email _____ Have them contact me using the info above or _____ contact me at: _____
9. Which of the following publications do you receive and read every month? _____ Club Industry _____ Fitness Management _____ CBI _____ Club Success _____ Club Insider News
10. Which of the above publications do you find the most interesting? _____
11. What do you consider to be the three greatest challenges to success that your club faces? #1) _____ #2) _____ #3) _____

IHRSA Associate Member Survey

Optional: Name _____ Company Name _____ Address _____ City, St. Zip _____
Email: _____ Ph#:() - _____ Fax#() - _____ Note: All respondents will receive a 3 month subscription as a gift for completing and forwarding this survey. YES, I will provide my name, etc. for gift subscription purposes, but wish to remain anonymous. DO NOT PUBLISH MY NAME or MY COMPANY NAME!

1. How long has your company been an IHRSA Associate Member? _____
2. Do you exhibit at the IHRSA Trade Show? _____
3. How important do you view your affiliation with IHRSA to be to the success of your business? _____
4. How much additional business, as a percentage, have you gained through your IHRSA affiliation? _____
5. Do you view your IHRSA affiliation fee as (check one) _____ too high, _____ just right.
6. What would you like to see IHRSA do to help you build your business? _____
7. Please share your feelings about the Annual Trade Show. What did you like the most? _____ Do you have any suggestions for the IHRSA leaders? _____
8. Are you familiar with the IHRSA Advantage Program and if so, what thoughts do you have on it, if any? _____
9. Do you have any additional comments? _____

Thanks for completing and sending (see above) the IHRSA Associate Member Survey!

The PR Moment: Discovering Networking

By: Bonnie Pfeister

How can you increase membership value, prevent buyers remorse, get free advertising, receive free give-a-ways for special events, build great relationships with other businesses and get those businesses to treat your members extra special? By starting an effective networking program. When we came to Valdosta, Georgia we knew that we needed to do something extraordinary in addition to traditional advertising. After a bit of brainstorming, I came up with a program that we called The Club Legends "Healthy Living Reward Program". Basically it was a glorified referral program. Local businesses give our members a discount or special privileges, and we refer our members to that business. The owner or manager would receive a free membership for participating and their employees would receive a very low membership rate if they wanted to join.

Our first business was Tropical Smoothie, then we added a steakhouse, a salon, sports store, shoe store, dentist, chiropractor, and they just kept on coming. We now have over

40 businesses that support the program including a wide variety of services like automotive repair, jewelers, restaurants, DJs, teeth whitening, permanent make-up, and the list just goes on. The great part of this program is not just the discount. Each business has a professionally designed poster in the window along with a table tent that sits next to the cash register that says "Club Legends Members SAVE HERE". Our members proudly flash their membership card and save! This is just one more way to get our name out there in the community.

My favorite part of the program is the relationship we have built with each business. Each participating business appreciates the referral as much as our members appreciate the special treatment. The businesses are always eager to be a part of special events. Any time we have a live remote, do a blood drive, or hold a fundraiser, we have no problem getting prizes, free food, and volunteers from the members of the Healthy Living participants. It truly is a "win-win" situation.

Here's how to get started:

1. Get prepared.
 Decide how you are going to

present the program to businesses and how you can make it work in your club. Make a hit list of the businesses you would like to contact. Nail down all the details including the name of the program and get all the materials needed to implement it.

2. Create an information packet. Include an information sheet that gives all the details of the program, a list of all the benefits and samples of the materials that you would supply each business. One thing we like to tell our prospective businesses is that if they agree to participate, that we will refer our members to them exclusively. This means no competing businesses; we will only have one shoe store, one steakhouse, one sandwich shop, one jeweler, etc.

3. Have the proper paperwork. Have a form (contract) that each business would fill out that includes business name, contact person and information, the definition of the discount or special privilege, and so on. This will help in case a business does not honor the discount or if they forget or want to change the discount. It is important for them to commit to offer the special for a specific amount of

time, like one year.

4. Go door to door.

This needs to be a one-on-one appointment with the business owner or manager. You are building a long-lasting relationship; so only send out your best. Personally, this is one thing I like to do myself.

5. Start promoting the program inside the club. Make frequent announcements featuring the new program and make sure every guest and new member knows about this exciting news. Include the program in your advertising to get the word out of the special treatment.

How to keep it going, and keep it going strong:

1. Create excitement. Tell new members about the program and show them the list of participating businesses. We actually have a new member packet that has marketing tools like dental floss, T-Shirt, pens, Frisbees, coupons, and brochures from all the participating business. A goody bag or a gift helps decrease the chance of buyers' remorse, just ask Thomas Plummer!

2. Keep reminding the members of the special privileges. Make announcements and promote the program through the club. Make sure



Bonnie Pfeister

you have a list of the participating businesses that the members can take home and post on their refrigerator or keep in their car.

3. Follow through and follow up. All good programs and ideas need follow through. Successful programs don't start on their own, nor will they continue on their own. It takes a little follow up. Because of turnover, it is important to keep in touch with the businesses, drop in to make sure your signs are still in place, and send a thank you letter every once and a while. One thing we do is present a framed certificate of appreciation to every business that has participated. The businesses proudly hang it for all to see!

Good luck and happy networking

Norm's Notes

continued from page 6

club chain is called "RAY WILSON'S Healthy Exercise." Ray's new Healthy Exercise model is small, just 2800 square feet, but includes equipment and services intended to appeal to us members of the "Geriatric Set", the 50+ market. (The single greatest untapped market niche left in our industry). Wilson was quoted in a January, 2003 North County Times newspaper article as saying, "This is the greatest thing I'll ever do." Well Ray, I'll say this to you with great respect; "If you can top the excellence of teaming up with AUGIE NIETO to bring the LifeCycle to revolutionize the fitness world and if you can top your amazing 72-location Family Fitness Centers chain, then it truly will be

"The greatest thing you have ever done!" Ray has also agreed to work with me, JACK LaLANNE, BOB DELMONTEQUE and RUDY SMITH to produce a 3-part article series entitled: "The History of the Health Club Industry." Part 1 of the series will appear in our May edition and will feature Ray's recollections of a number of experiences and about the time when he spent two weeks working with CHARLIE POSTAL, whose health club featured a full-page ad with a photo and the endorsement of PRESIDENT TEDDY ROOSEVELT in the Chicago Tribune, October 22, 1912! Ray Wilson is a walking encyclopedia on the health club industry and I am really looking forward to this 3-part series, "The History of the Health Club Industry." Thanks Ray for sending the materials and suggesting this great article

idea!

• If you live in or travel to the metro Atlanta area and you like "Blues" music, be sure to go out to DARWIN'S at 1598 Roswell Road in Marietta, GA. KAY KOWEDDER, a terrific entrepreneur and the 6 1/2 year owner/operator of Darwin's, and a former commercial jet pilot with over 8,000 hours, took over a business that was not thriving and through a lot of hard work and the magic word, Public Relations, turned this little Blues entertainment mecca into one heck of a place to enjoy yourself and great blues music 5 nights a week. Her lineups include music by "Delta Moon" featuring the best drummer in the Southeast, JOHN MCKNIGHT, cutting-it-up with MARK JOHNSON, TOM GRAY, GINA LEIGH and JOHN SCHWENKE. Go

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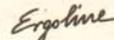
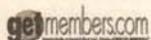
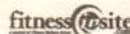
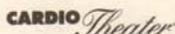
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A F F I L I A T E D A C C E P T A N C E C O R P O R A T I O N

Implementing an Etiquette, Courtesy and Communication Skills Component to Your Staff Training for Service Excellence and Bottom Line Growth

By: Karen Woodard

How many times have you been on the receiving end of a poor service experience in the past three months? Literally count it in your mind. What's your number? Mine is 28 and that covers 3 countries in the last three months. The experiences range from the restaurant hostess to the boat concessionaire on the Seine River to the teller at the bank. Unfortunately, this experience is occurring much too often in the US. It certainly occurs elsewhere, but it is rampant in the US. It is occurring for several reasons, which include but are not limited to

1. In the US, we have always prided ourselves on and expected a high level of service because it is what most of us in this room have grown up with – if we are over 35 years of age. Hmm... interesting implications – which we will explore further in this session. And

2. Employers expect their staff to deliver a level of service that the staff is simply not able to deliver based on current business models. One of the reasons for this reality is that the staff we are currently selecting lacks the appropriate communication, etiquette and social skills to be able to deliver what our customers and what we expect. When these expectations are not met, it costs us more than we realize. Here's a concrete example to illustrate the financial impact of lack of etiquette and courtesy on business:

According to the AMA, approximately 65% of the average company's business comes from its present satisfied customers. If an organization has negative, indifferent, discourteous service employees, these employees are likely to lose customers for the com-

pany. The loss of one customer per day for a year who typically spends \$50 per week would cost a company nearly half a million dollars per year.

Ouch! Do the math for your business and see what lack of courtesy has cost you.

These skills are critical for successful business in our economy, yet we are training staff (primarily of the "McManners Generation" on task rather than these important skills that have a profound effect on our customers, guests, and staff's personal lives as well as our business' bottom line.

The benefits of adding an etiquette and social skills component to your new staff training program not only impact the bottom line but create a strong point of differentiation between you and your competitors that more than likely won't be duplicated by your competitors. Think about it you can create differentiation in 5 areas: facilities, products, services, staff and business philosophy – hopefully, you have at least three points of exclusivity in each area – the major point here is that with facilities, products and services – duplication by your competitors is very easy BUT, if you have a business philosophy and staff that value and genuinely demonstrate etiquette, courtesy and strong social skills, what will be valued most in the mind of your market? According to the research of David Cottrell and Mark Layton, authors of "The Game has Changed", people decide to do business with and stay with a particular company based on how well they are treated. Yes, the sales and customer service relationship is even more important in many instances than the performance

of the product. Loyal customers are created primarily because of outstanding sales and service relationships.

That is not to say that we can have standard facilities, products and services. We know that. But certainly, from a point of differentiation, I see far too many operators attempting to create differentiation with newer and better facilities and products. While that may be part of the equation, it is not the entirety.

If you implement a training component on etiquette, courtesy and social skills for your staff, you will achieve differentiation and not have to spend thousands of dollars, as you might on new facilities and products you might be looking at, to do it. Let your competitors spend hundreds of thousands on new facilities, marketing, etc. and then let their staff **amaze their customers with in-difference**.

(Karen is president of Premium Performance Training (PPT), located in Boulder, CO. PPT specializes in providing profitable results through staff training in sales, service, management and marketing. Call Karen today at 303.417.0653 or visit www.karenwoodard.com to see how she can impact your business.)

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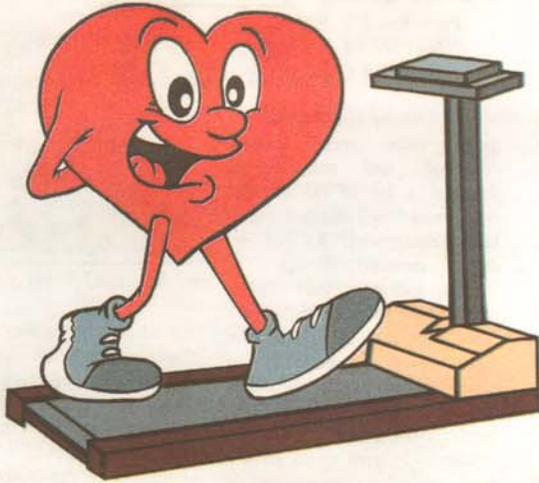
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“AS I SEE IT”

(Exclusive Fitness Industry Column Featured Only In “Norm Cates' Club Insider News”)

By: Michael Scott Scudder

“CHANGING PARADIGMS IN OUR INDUSTRY”

There is a current joke going around that goes like this: you know that things have changed when the top rapper in the world is a white guy, the number one golfer on the planet is a black guy, the tallest basketball player in the universe is Chinese, the French are accusing the Americans of being arrogant, and the Germans won't fight a war!

Perhaps a bit tasteless as a joke, but certainly a valid commentary on some vast changes that are sweeping our society. It got me to thinking about the changes in OUR realm – the health and fitness business. And I started thinking about “paradigms of operation” – and how they have shifted in just a few years.

The *Encyclopedia Britannica* describes “paradigm” as “...an outstandingly clear... philosophical and theoretical framework...within which generalizations...are formulated.” Among synonyms listed are: “model,” “ideal,” “example” and “standard.” My version of paradigm is simply “the way we do things” or “how we believe something to be.”

So I thought I'd play a little in this month's column, and look at three paradigms that have existed and how they seem to have changed into *new paradigms* of operation.

Paradigm I: NEW MEMBERSHIPS ARE THE WAY TO SUCCESS

If we look at the “modern era” of health clubs (1975 – present), we acknowledge that there has been tremendous growth in membership sales. IHRSA tells us that as we entered the 1990's there were about 15,000,000 members in clubs, and that as we go into 2003, there are 34,000,000. So it would stand to reason that the sale of new memberships is paramount to growth, correct? And if we look at the marketing strategies of the “big,” we

witness all-out efforts to mass-market membership sales. So that must be the way to do it, right?

Wrong.

The New Paradigm: RETAINED MEMBERSHIPS ARE THE WAY TO SUCCESS

The clubs with the best profit margins in our business are those clubs who *retain* members, thereby not having to sell so many costly new memberships to replace those people leaving out the back door. They know that new membership sales are one of the most costly entities in our industry. These clubs have a devotion to *satisfying* the present member...through quality treatment of each member, through initial high-hands-on care at the entry level of new members, and through consistent and never-ending attempts at appropriate programming to individual ages and groupings, focusing on results, rewards and value.

If we are to believe several noteworthy veteran speakers (McCarthy, Plummer, Woodard, Coffman, myself), *the approximate pure cost of a new membership to almost any club exceeds \$125!!* At a general 9% pre-tax profit margin, and with initiation fees averaging less than \$50 across our industry, the club loses at least \$40 on that member in the initial year! The retained member, that person who joins again for the next year and the next year, carries a cost of from nearly \$0 to about \$35!! That member makes the club a profit of about \$40 a year! Which one do you want...and want more of?

Finally, as we observe referrals, the best are those that come from happy members, not from the “give-me-three-referrals-at-time-of-joining” method practiced by so many clubs. It is estimated by some clubs that better than 75% of their new-member business comes from referrals by existing members who have been in the club more than two years...at substantially-reduced cost, because *those* clubs usually spend only 3% to 4% of gross revenues on advertising!

Paradigm II: ADVERTISING IS THE KEY TO MORE SALES

Clubs have become used to frequent newspaper placement, radio/TV “drive-time” blitzes, direct mail campaigns, lead boxes and flyers as the method of marketing. Many clubs spend annually as much as 10% of their gross revenues on these forms of advertising. Must work, no?

NO!

The New Paradigm: MARKETING, PRIMARILY INTERNAL, IS THE KEY TO MORE SALES

Consider the overwhelming evidence presented by marketers who know – A newspaper ad will get read by less than 10% of its intended market – and responded to by less than 1/8 of that 10%! TV advertising, to be effective, has to be repeated nearly 10 times for the viewer to “get the message.” For radio, it's over 20 times! A “good” direct mail campaign brings in 1/2 of 1% response by those reached. Lead boxes and flyers are pretty much antiquated ways of getting the word out and have very poor response and lesser quality of respondees.

The smart clubs understand that marketing needs to come from inside the facility...that the most effective way is to market to your present membership. They know that membership is simply “the ticket to the dance,” not the end result of the process, but the beginning! Internal marketing takes into account member referral marketing, program marketing, profit center marketing, and membership upgrade marketing. It is designed to develop more revenue-per-customer, not more customers at low-end dollars!

Smart marketers know that the customer who stays the longest and remains the most satisfied is the one who invests the most money on himself or herself, and also refers people like him or her to the club!

Paradigm III: MORE EQUIPMENT MEANS BETTER CLUBS

Years ago, clubs and gyms were pretty poorly equipped, and many even featured a lot of home-made equipment or made-for-the-home equipment! As our industry matured through the 1980's and into the 1990's, equipment manufacturers became more sophisticated *both* in technological application of equipment to fitness regimens, and in the selling of equipment. In the 1980's, a small (10,000 square foot) gym might have a total equipment investment of \$150,000. Today, that same size gym necessitates an investment of better than *double* that amount of money just to be competitive!

So, it must mean that the better-equipped clubs are the ones who get more members and have greater success, huh? Not necessarily.

The New Paradigm: APPROPRIATE EQUIPMENT COMBINED WITH RESPONSIVE PROGRAMMING MEANS BETTER CLUBS

Savvy operators have quietly been practicing “the mix” – the right kind, and amount, of modern equipment (a crafty combination of cardio, selectorized, free weights and “accessory equipment” – balls, bands, bars, etc.) augmented by outstanding programming. They know that while equipment has initial appeal, that appeal is frequently to the smallest market (the already-active) and does not last long.

Longevity is created by results-driven programming...getting the members to use a variety of equipment at various times in their membership at the club; offering creative options to utilize different aspects of the club to reduce boredom and promote self-motivation; and enhancing exercise adherence through implementation of sound feedback-oriented mechanisms, both on equipment and in classrooms.

Smart facilities are programming to the varied groupings of people who make up a club – not just the gym rats



Michael Scott Scudder

or already-exercisers, but the Boomers and the masters and the families and the young kids and the teenagers and the professionals and the seniors and ad infinitum! They are adopting programs that cater to varied tastes and different needs, and getting away from the standard format of two-initial-trainings-get-an-exercise-card-we're-here-to-help-you-if-you-need-it schlock that has so dominated this industry for over two decades! They are practicing “niche programming” as well as “niche marketing”...and they are getting good at it, as their numbers show! They already employ V-B-R (Value – Benefits – Results) as a standard of excellence in operation.

Three new paradigms. Pick one – and go to work! Get out of the dark ages and into the light of the “new days of fitness.” You'll like it a lot more. So will your members. And so will your bottom line.

(Michael Scott Scudder, a contributing author for “The Club Insider News,” is a 28-year veteran of the fitness industry. He is managing partner of Southwest Club Services, a club management training company based in Taos, New Mexico and Fort Worth, Texas. He offers regional-city one-day seminars on marketing and training profit centers, and an intensive two-day workshop in home headquarters of the Fit For Life Centers in Texas, of which he is a partner. He can be reached at 505-690-5974, by email at scuddertour@direcway.com or at his web site, www.scudder-tour.com.)

Bring Your Club Into The 21st Century

Plain Walls & Boring Colors=Low Energy Atmosphere=Low Sales

We couldn't afford to completely remodel our club when we wanted to attract more than the "gym rats" in our area. IMPACT gave our club a more attractive look that was well within our budget. It was one of the best investments I've ever made.

Terry Braseale
Owner Iron Works Fitness
Huey Town, AL

Since the interior design upgrades, we've noticed more member workouts a day. That's coincided with higher pro shop sales, larger group exercise sessions and higher personal training volume.

Otis & Dee Bullard
Owners, Body of Steel Fitness
College Park, GA

We were not only impressed with the design ideas IMPACT gave us during their consultation, but their knowledge about the fitness industry itself was incredible! They gave us marketing ideas and concepts that helped us immeasurably. We definitely received more than our money's worth from them. The best bang for the buck we've ever received!

Joe & Melissa Fitzgerald
Owners, PowerHouse Gym
Gaylord, MI

Our club was a year old and we had plain white walls. After IMPACT worked with us on our logos and some exciting colors in the day-care and aerobics rooms our new member numbers increased and our retention rate has been incredible. We should have done this sooner.

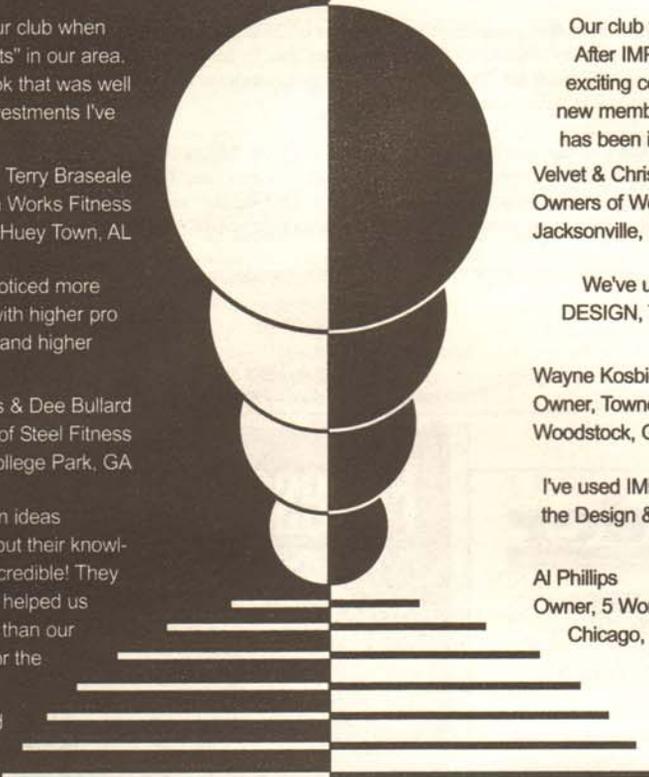
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operator, each group of which is assured a Board seat from the group of 4 new nominees elected to the Board each year.

The bottom line is, the industry landscape is changing, and that is a good thing. The single club operator will continue to manage and operate his/her facility at a high level, creating and developing new programs and services, that will drive our industry forward and create a better experience for all members. The multi-club operator will always find it difficult to manage single site locations at this high level.

On the other hand, in my view, the multi-club operator, will fully embrace the technology opportunities and economies of scale that come with multiple sites. This will provide a better platform to understand the activities that drive member retention, particularly with respect to usage. The IHRSA membership will benefit when we, as an industry draw upon the knowledge and experience of both types of club owners, working together to make our industry stronger.

The independent club operator should be pleased to know that one of the first initiatives of IHRSA's new President, Tom Behan, was to form a Capital Market Committee, that consisted primarily of multi-club operators. The primary objective of this committee was to boost confidence in, and make our industry more attractive, to lenders and investors and make the borrowing process significantly easier for the single club operator through the creation of step-by-step guides and industry standards that will provide a roadmap of sorts, for the club operator, who is unfamiliar with the borrowing process.

One final note, the IHRSA dues for a single club operator are higher than the dues paid for the multi-club operator, on a club-by-club basis. However many multi-club operators are contributing as much as \$25,000 each year to support the ILC fund. Take for example, TSI's contribution of \$25,000 shared between 130 clubs; each club is contributing an additional \$192 each, to help protect the industry for all club operators. Or take Bahram Akradis' 28 Lifetime Fitness locations and share that same \$25,000 ILC contribution, each of his clubs is now contributing an additional \$892.00 per year plus regular IHRSA dues.

I hope these points help paint a broader picture. I appreciate the opportunity Club Insider provides to communicate thoughts in an open manner.

Yours Sincerely,

Geoffrey A. Dyer
President/CEO, LifeStyle Family Fitness

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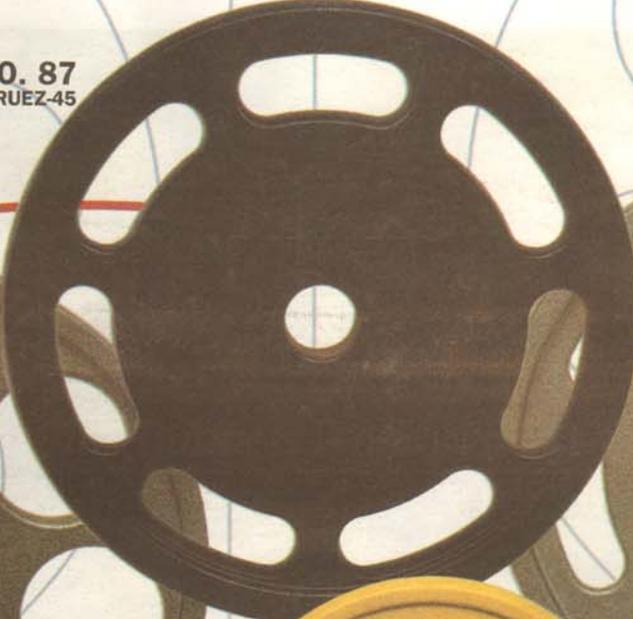
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