

Norm Cates' CLUB INSIDER™

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

Established 1993



Atlantic Coast Athletic Club (ACAC) Founder - Phil Wendel (Standing)

Phil Wendel and ACAC in a Top 5% Category

APRIL 2009

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Phil Wendel and ACAC in a Top 5% Category *An Interview With Club Industry Leader Phil Wendel*

By: Norm Cates

I don't know many people who have hit a business home run in two different industries, but Phil Wendel has. Read this story and find your passport to a much more financially successful club. Read this story and learn how to get new membership referrals by the bucketful from doctors in your community. Read this story and put your club into the tiny segment of an estimated 5% of clubs in America who have, at this point, successfully found and perfected

the lucrative path of physician referral-generated health and fitness club membership business.

Phil Wendel's ACAC Clubs have produced 797 physician-referred new memberships during the first three months of 2009. This is new membership business for ACAC that is in addition to their new membership business generated by traditional marketing.

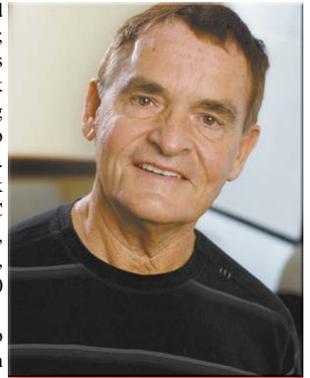
Phil Wendel is an amazing guy and astute businessman who started a side business 30 years ago while he was employed as a school teacher and

coach. To supplement his teacher/coach income, Phil created a small travel business called "Lakewood Tours" that provided field trips to Washington, D.C. for school kids. He grew that business to \$50,000,000 a year in annual revenue and then sold it. Yes, that was seven zeros you read... In 1984, during the later years of his travel business ownership, he opened a small, 6,500 square-foot fitness center called the **Atlantic Coast Athletic Club (ACAC)**. He fed money into that gym for years before he sold his travel business. Then, he got serious

about the club industry and hired a professional consultant; the fellow this author thinks is the best in the business, Rick Caro. Phil was truly beginning his second business life as a club developer, owner and operator. With the able assistance of Rick Caro, he now has six ACAC Clubs in Charlottesville, VA, West Chester, PA and Richmond, VA generating more than \$30 million a year in revenue.

You and your club will benefit from learning from industry leader, Phil Wendel.

(See *Phil Wendel Page 14*)



Phil Wendel

Rick Caro's 13th Annual IHRSA Financial Panel

By: Justin Cates

It is needless to say that the financial tumult we have seen in the past year has created worry in the minds of many across this country and the world. The result has been decreased spending, increased layoffs and a fear that our current recession becomes a depression. Ironically, less spending, increased savings and future planning are all good things, but right now, they are contributing to the overall financial situation we are experiencing. In the short-term, many believe things look bleak, and the long-term is still uncertain.

Will this become our "Lost Decade," or will the storm break later this year? No one really knows for sure, but many will prepare for both scenarios, and this will take effect across many industries.

So, how will our industry be affected in the coming months and years? Are we expendable in times of financial hardship, or are we the part of someone's day that keeps them sane when everything else seems to be falling apart? What future should we expect for our industry in the short- and long-term? And, what elements of the fitness model make it attractive to
(See *Financial Panel Page 26*)

Why You Should Support IHRSA's Public Policy Efforts

By: Norm Cates

Folks, regardless of whether you're an IHRSA Member club owner/operator or not, you should be aware of and should support the work IHRSA does on behalf of the entire industry, including you.

IHRSA's Public Policy effort has been active for 18 years under the leadership of IHRSA's Helen Durkin, Director of Public Policy.

This is important stuff folks, on both the Federal and State levels. It is important because legislators, both Federal and State, can pass legislation that

you don't even know about until it is too late, legislation that will make it virtually impossible for you to operate a profitable health and fitness club business.

IHRSA is THE Legislative Watch Dog for all 30,000 health clubs in the U.S., not just for its dues-paying members. Keeping IHRSA funded, thus involved in this daily watchdog work, is expensive and requires experts like Helen and her IHRSA Associates. This is a real situation requiring real work, and the only people in the United States doing anything about this for our industry are those at IHRSA.

(See *Public Policy Page 6*)

Breaking News With Planet Fitness!

Nationwide Membership Sale Brings In 210,000 New Memberships! - See Norm's Notes
Planet Fitness Club Hits \$300,000 Monthly EFT! - See Page #10

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- 2008 U.S. Health Club Revenues Total \$19.1 billion, up 3%

Norm's Notes: •IHRSA, a "House Divided" •Planet Fitness Sells 210,000+ New Memberships In One-Week Sale! •Don't Miss Club Industry East, May 27 - 30 In Boston •The "Split-Hall" Debacle •Some Multi-Purpose Clubs Could Attain 501(c)3 Status •Don't Miss the National Fitness Trade Show, August 18-20 In Reno •Marietta, Georgia Crunch Fitness Location Closes Its Doors, LA Fitness Honoring Memberships •"Courage is Resistance to Fear, Mastery of Fear - Not Absence of Fear" •Fitness Management Magazine Ceases Publication of its Online Edition •50-Year Club Veteran Still Learning at IHRSA 2009 •The Inside Story on NSF Certification Standards •IHRSA's 21st Annual Institute for Professional Club Management to be held August 2-5 In Reno •Peak Fitness Health Clubs Files for Bankruptcy •LifeCenter Plus Conducts Statewide Adaptive Aquatics Workshop •More Bad News About the Obesity Pandemic •Clear Your Intersections!

Norm's Notes

●**Hello Everybody and Happy Spring!** This is your friendly **CLUB INSIDER Tribal Leader** and **Publisher Since 1993** checking in! **Is America a great country or what?** Stand by for a "Whopper," and I don't mean a 1,200-calorie hamburger or a big fib! In case you didn't hear **SETH GODIN** speak about tribes at **IHRSA 2009 San Francisco**, following Godin's comments, I've adopted 'Club Insider Tribal Leader' for my greeting here. I'm kind of doing that to **Make It Fun!**, but check out **JUSTIN CATES' "Insider Speaks"** article on **Page #6** this month entitled, "**Are We Remarkable?**" and you'll get a feel for Godin's message about tribes and Thomas Plummer's message that we must reinvent the Health and Fitness Industry. And, there is much, much more in this issue... so read on, learn and enjoy!

●**IHRSA** is a *house divided* when it comes to its constituents. I came to this conclusion three or four years ago, but I really got to thinking about it after **IHRSA 2009** in San Francisco. Prior to this time, I had addressed this issue in our **June, 2005 Cover Story, The FUTURE of IHRSA** (Available online at www.clubinsideronline.com). In that writing, I argued that IHRSA would be smart to create divisions: Independents, Chains and Vertical Markets

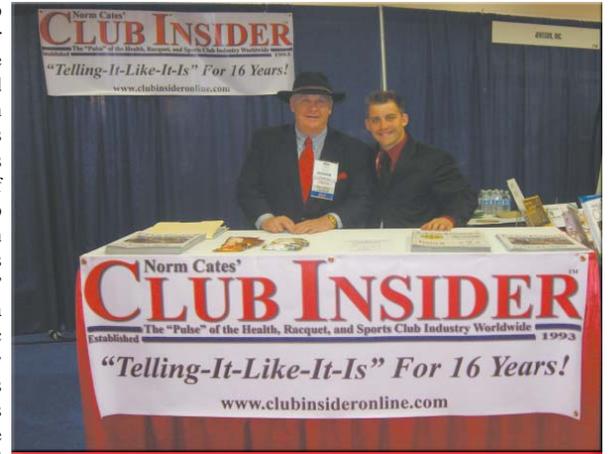
(Corporations, hospital clubs, military clubs, etc). I explained what I am going to explain here again, but briefly.

What we have here, and I would argue why **THOMAS PLUMMER** thinks we need to reinvent the Health and Fitness Industry, is a failure to communicate and clearly define the two basic products we have to sell. One product is a **FITNESS CENTER**. The other product is a **CLUB**. There is a world of difference between them because of the way the operators of fitness centers behave, when compared to the way the operators of clubs behave. In general, there is a significant difference between the two when you examine the actual facility.

Thomas Plummer, one of the greatest talents of our time when it comes to teaching, is working hard at teaching fitness center club owners that, although they don't have the bells and whistles and amenities in their fitness centers like you will see in clubs (basketball, racquetball, swimming pool, etc.), they need to start acting like club owners anyway because that's where the money is. Thomas is working hard at trying to teach fitness center owner/operators that **COURTESY, RESPECT, KINDNESS and CARING** is a big key to the potential success of your business. The funny thing is that, 28 years ago, when we

started IHRSA, we were a group of club operators who got together to work at becoming more professional in our operations, and every one of us believed then in treating our customers/members with courtesy, respect, kindness and caring. Each and every one of us had in mind providing a club that had an excellent reputation in the community. Thomas calls it "Public Perception," I call it **TRUST**. Yes, a "Good Reputation" or "Public Perception" in the community would cause **TRUST** in the eyes and minds of the local consumers and is also one that will cause profits. But, something happened to IHRSA.

Over time, IHRSA began to recruit more and more fitness centers... you know, the places that look like a box and have exercise equipment inside and are not a club. I repeat, they are not clubs. They, I repeat, have owner/operators who think and act differently than do club owners. They, I repeat, behave in a way that makes Thomas Plummer say they need to reinvent themselves, incorporating values such as courtesy, respect, kindness and caring into their reinvention. They, I will say again, as I have said before, must become clubs in spirit and act accordingly if they want to survive and to thrive. No, they don't need to change their facility. They need to change their behaviors.



Norm and Justin Cates at IHRSA 2009

This is what Thomas Plummer is getting at, and he is correct. He's correct when he says the fitness centers of America need to reinvent themselves, but to that, I will add *so that they act like the clubs of America*. The fitness centers of America open their doors to provide access to the equipment. The owner/operators of the clubs of America treat their customers with courtesy, respect, kindness and caring every day of the year, and yes, they have equipment, too. But, it's not the equipment; it is how the member is treated by the owners and staff while he/she is there that makes the difference. In next month's edition, I will give you an analysis of where the future of this industry really is in a story titled, "**IHRSA, a House Divided.**"

●**BREAKING NEWS! Planet Fitness' Nationwide Sale Nets 210,000+ New Memberships!** Hold onto your hat because **MIKE** and **MARC GRONDAHL**, and their **Planet Fitness Team**, have demonstrated once again why Mike is known as the best marketer in the club business

today. The Grondahl's invested **\$1.5 million** into a major campaign, and the results were huge. Planet Fitness's **JOHN CRAIG** wrote to **CLUB INSIDER** on the day of our press deadline, "The offer was "\$1 down, \$10 a month, and the response was off the charts. We're still tallying the numbers, but this much is certain: We sold more than 210,000 memberships nationwide. More than 250 Planet Fitness locations took part in the sale in the April 1st-7th nationwide sale, which was promoted on network television in 25 media markets. We also did radio and some cable television. We think the campaign set a record for the health club industry in two ways: First, for the number of memberships sold in one-week period, and second, for the scale of the radio and television campaign. There were lots of dizzying numbers, but here's one to remember: Our new Planet Fitness club in South Philly sold 1,468 memberships on the sale's final day."

●**RON POLISENO**, formerly
 (See Norm's Notes Page 8)

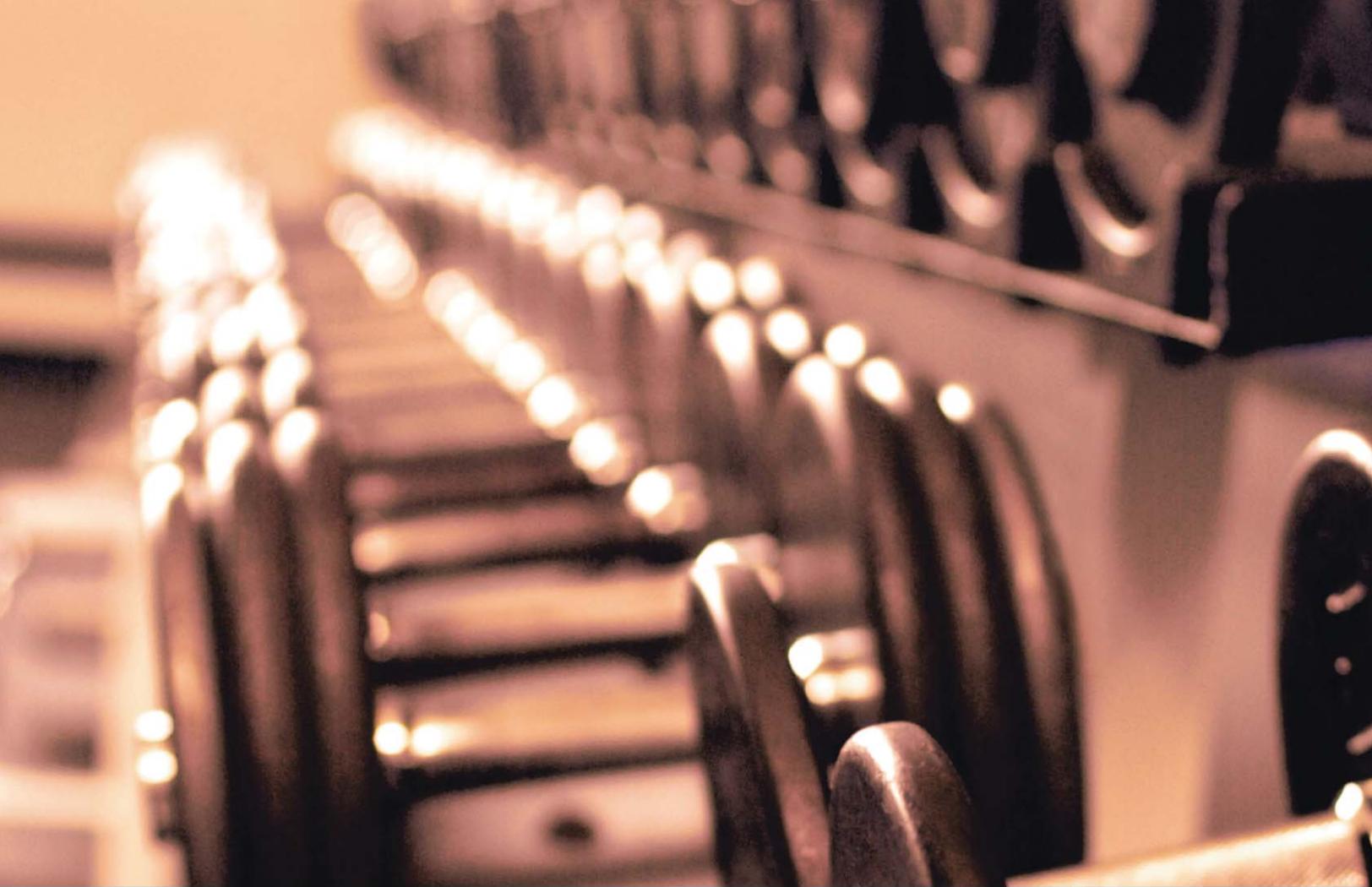
Thank You!

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The "INSIDER SPEAKS"

Are We Remarkable?

By: Justin Cates

The Purple Cow

Imagine you are driving down a country road on the way to somewhere. You pass a field with a number of cows. Would you stop to take a look?

I imagine the answer is no because once you have seen a cow, you have seen *every* cow.

Now, imagine you are driving down that same road. You can see it from a distance... There is a purple cow feeding with the rest of the herd!

This time, I imagine you would stop to take a look. In fact, you would most likely take a picture so you could *tell your friends*. A purple cow would be remarkable!

At the 28th Annual IHRSA Convention and Trade Show, this is how Keynote Speaker, Seth Godin, painted the picture to explain the word **Remarkable**, or something "worth making a remark about."

Seth Godin is the author of ten bestselling books on marketing and writes the most read blog in the world on

the subject. His blog is also on Time's Top 25 List for 2009. He was Vice President of Marketing at Yahoo! and founded **Squidoo.com**, a fast-growing recommendation website.

Are We, As An Industry, Remarkable?

So, as Seth Godin asked, are we, as an industry, remarkable?

When explaining what our industry truly does, Godin said, "We spread ideas that cause change in the world that people desperately want." This is an amazing description, and as such, our industry should be remarkable. In isolated cases, there are some truly remarkable operations out there; however, for the industry as a whole, being remarkable is still a goal we seek to accomplish. I could get into the usual statistics proving this truth, but you most likely already know them. Instead, we should ask why, and how do we, as an industry, become remarkable?

First, let's take a look at "Clutter," or a deluge of supply. Recently, there have been more and more facilities opening and

fewer and fewer people joining them. In fact, according to IHRSA, total membership in the United States slightly decreased between 2007 and 2008! Though statistically insignificant (2.4% decrease with a 4% margin of error), something is wrong, and needless to say, it doesn't make for a good financial equation for some of these new facilities, as attracting new members in sufficient numbers could be difficult at best. In essence, "we are dealing with clutter by producing more clutter."

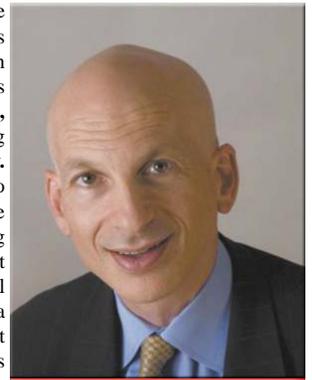
Once these new facilities open, they will market to build business. This is sensible, but these new marketing campaigns coupled with those already being run by everyone else in the market quickly creates a barrage that hits the prospective member day-in and day-out. So, what do they do? What do you do when you get junk mail? You throw it out! Well, they are *tuning us out* on all fronts because all of the messages are the same to them, regardless of whether or not the message and/or your facility are different than the rest.

Though the rules have

changed, and they will continue to do so as technology continues to evolve, it has always been about building relationships (See **CLUB INSIDER's June, 2008 Edition** about building Trust and Relationships at www.clubinsideronline.com). For too long, owners and operators have looked at prospects walking through their doors as fresh meat and treated them as such. The goal has been the sale; make them a member. Then, they become part of the system, and the club lives happily ever after, right? If you are laughing at this description, good, as many of us know this is not how it works and retention rates tell the story. To truly enjoy great success with your club(s), there has to be something more.

Godin put it this way, "Is this business all about finding more customers for our clubs or *more club for our customers*?" Well, what is your business about? Why?

I won't spend any time on the former, as this is what we have always done, and all we have to show for it is a 16% penetration rate. The latter, *finding more club for our*



Seth Godin

customers, however, should be where our priorities lie because it can guarantee future success for our industry. It should be noted, though, that providing more club for your member does not mean more equipment and/or services. It means making the club more than a club; a place to let loose and relax, a place to enjoy with others and a place to temporarily escape the reality of the world of home and work outside the club's walls. Arguably, and for the happiest members, the club should be the third most important place in (See *Insider Speaks* Page 12)

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Established in 1993
16 Years and Counting!!!

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...Public Policy

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Whether you support IHRSA and all its other initiatives as a member club or not, you really should pitch in to help IHRSA fight this fight on behalf of your club and the 30,000 other commercial clubs in the U.S.

It is important that you know that during the last six months alone, IHRSA has won victories in a number of States that have prevented State Legislatures from imposing a sales tax on health club memberships. This is a biggie folks and just part of what IHRSA does for you.

On the Federal level, I want to be sure that you know about the WHIP and the PHIT Acts, both legislative measures that IHRSA is working on. The word BIG comes to my mind in both cases, and BIG will these two measures be for the entire health, racquet and sports club industry in the U.S. when they are

finally passed. But, IHRSA needs your support.

The WHIP (Workforce Health Improvement Program) Act will correct a tax inequity that currently treats employee access to an offsite health club as taxable income but access to an employer's onsite fitness facility as nontaxable income. Eliminating this inequity will encourage more employers to offer wellness programs to their employees and allow more Americans to take advantage of health club memberships.

The PHIT (Personal Health Investment Today) Act will allow consumers to set aside up to \$1,000 annually (\$2,000 in the case of a joint return or head of household) in a pre-tax health investment account, such as a flexible spending account, to pay for fitness center dues, certain exercise equipment and other fees associated with physical activity.

In closing, let me just say that this author encourages you to



Meredith Poppler

support IHRSA as a member club and to support IHRSA's Public Policy initiatives, but if you don't wish to join IHRSA, please still contribute to the cause of the Public Policy initiatives to help IHRSA keep watch and protect your club and your way of making a living. Contact **Meredith Poppler** at **800-228-4772 Ext. 129** or by email at mpoppler@ihrsa.org One day, you will be glad you did.

Get Your A.S.S. in Gear!!!

By: Ray Gordon

Accepted Success Solutions (A.S.S.) are things that you do for your members which dramatically increase their chances of change and success.

At the recent IHRSA Convention in San Francisco, I encountered numerous club owners who were reducing their dues to compete with the large number of low-priced clubs that are coming into their market area. While that may be the correct direction for some, it won't be a feasible option for most monthly dues-based clubs in America.

Yes, the low-priced gyms are taking some of your members and certainly some of your potential members. Their business model is designed specifically to provide a clean facility with a lot of equipment and no service. **This provides you with a great opportunity!** By most studies accepted in our

industry, at least 65% of U.S. citizens have an inadequate or nonexistent exercise program.

Alan Deutschman emphasized in his book **CHANGE OR DIE** that 80% of adults will not make a change even though they are aware of the fact that, if they don't change, it will be harmful, or possibly, fatal for them. Simply providing information does not sway how people think and feel. Doctors tell their patients to start living in a healthier way, but do they really believe their patients are going to change? No. They know about the studies saying there is a 90% probability their patients will not change their unhealthy lifestyle. Alan further indicated that the first key to change is to *relate*. The new member must form an emotional relationship with the club that inspires and sustains hope. If you face a situation that a reasonable person would consider "hopeless," you

need the influence of seemingly unreasonable people to restore your hope --to make you *believe* you can change and *expect* that you will change. This is an act of persuasion-- really, it's selling. The membership advisor and club professionals have to sell you on yourself and make you believe you have the ability to change. They have to sell you on themselves to be your partners, mentors, role models and sources of new knowledge. They also have to sell you on the specific methods or strategies which the club implements to help the member succeed.

Your club is strategically positioned to provide the services which a *non-exerciser* requires for success. **Fact:** Availability to exercise equipment only will result in failure for the majority of *non-exercisers* who attempt that route. More personal attention and motivation will usually result in higher success ratios.

A perfect example of this would be Personal Training; testimonial after testimonial states, "I could never have done this on my own." I feel that Personal Training is a tremendous option for a *non-exerciser* attempting a change in lifestyle. However, in today's economic times, some people cannot spare this additional expense. What are the services that a membership at your club provides and why are these so important to the success of a *non-exerciser*?

Many Accepted Success Solutions are probably already implemented in your club procedures. The starting point for this whole process begins with the interview and the tour. This is where the proper, open-ended questions will allow the membership advisor to give the proper advice and recommendations. This will plant the seed of optimism and hope and will allow the potential member



Ray Gordon

to begin visualizing a different future for themselves. Let them know the importance of having a team of professionals helping them to achieve their goals as well as the psychological value of group exercise as it relates to the ratio of success.

It is absolutely essential to build a portfolio on your membership. (See Ray Gordon Page 8)

Club Owners and General Managers

Current economic conditions and excessive competition have many independent health clubs performing below expectations. Upscale quality clubs with monthly dues ranging from \$40 - \$70 seem to be struggling the most. I have been very successful in achieving membership sales goals in these types of clubs for over 30 years. More importantly, during the last 6 months, even with a toughening economy as membership sales have fallen off sharply. Sales Makers will provide proven solutions you can apply immediately to get results. This requires new creative campaigns and lead generating programs along with some positive training, and a staff willing to work efficiently to make more money. Let Sales Makers help your club achieve your clubs necessary membership sales goals in 2009.

IHRSA
Wall of Fame
Winner

Sales Makers
 "Membership Specialists Since 1979"

Ray Gordon
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...Norm's Notes

continued from page 4

with **CheckFree**, now **Club Solutions**, **Fiserv**, has taken a position in lending with the **Allstate Insurance Company**, and we wish Ron the best in his new position.

•Don't miss **Club Industry East**, to be held in Boston, May 27-30th! Go to www.clubindustryshow.com for information, and check out the **Club Industry East Ad on Page #25**.

•**IHRSA's 28th Annual Convention and Trade Show** had greater attendance than many of us had expected. I want to compliment **JOE MOORE** and the **IHRSA Team** on another terrific event. While **IHRSA 2009** didn't have the blockbuster turnout we had in Las Vegas in 2006 for the 25th Anniversary, or as big a turnout as San Diego last year, overall, the turnout was remarkable given the worldwide economic situation. And, for sure, I want to compliment every one of you that attended. Your spirit is excellent, and you all amaze me with your positive attitudes! It's my pleasure to see you every time we have this great event. You're the *cream of the crop*, the leaders of our industry and you are the ones who will continue to lead this industry as time goes by.

But today folks, I have good news and bad news. The bad news is **IHRSA San Francisco** featured another split hall trade show, a situation that **MUST** be changed back to one hall. The good news is **JOE MOORE** is on the case, and I sure hope Joe's successful, as this situation is utter lunacy. Simply put, the **IHRSA Trade Show** never should have been held in two halls with a ¼-mile long tunnel separating them in the first place. Joe, I believe, will find a way to correct this major mistake of the past before **IHRSA's 30th Anniversary** in 2011. Otherwise, I can tell you and Joe right here and now that there's already an **IHRSA vendor boycott** mounting among the Associate Members.

Having a split-hall show is downright unfair to both the vendors who get stuck in the second hall and to the club owner/operators and **IHRSA Members** who are attending the event. If vendors are not located in the main hall, they see about 30 to 40% less traffic (potential customers!), but they are charged and must

pay the same for exhibit space, drayage (Union-priced delivery of exhibits on forklifts), airfare, hotels, meals, etc. In essence, this is a horrible deal the unlucky second hall vendors have had to endure from **IHRSA**, and it's got to stop. Moreover, all of the same issues of unfairness apply to the club owner convention attendees. If it is their first time there, unless they actually read and examine the chart **IHRSA** publishes, there is no way a person attending the convention for the first time will know to walk through the ¼-mile tunnel or go upstairs and across the street to the second hall, containing approximately 30% of all of the other attendees.

So, the bottom line is, should **IHRSA** not be able to get **Moscone Center** officials to cooperate, thus allowing **IHRSA** to place the entire trade show in one hall, I think the Associate Members who pay the bills may just revolt. I've talked to an awful lot of vendors about this, and nobody likes this split hall setup, not even the people in the main hall where most of the customers end up going. For the **IHRSA 2011 Trade Show**, the word *boycott* comes to mind. I have already heard from several vendors who have said *they will not exhibit* if the split hall situation continues in San Francisco. I welcome your comments and input at Norm@clubinsideronline.com. So Joe, please show this Note to the people at **Moscone Center**, if you must, when you are trying to get **IHRSA** rid out of this really bad two-hall situation.

By the way folks, before I left San Francisco I spoke personally with the head men of two of the largest equipment manufacturers; **MR. JIM DOODY, Founder of StarTrac** and **MR. JOHN AGLIALORO, Chairman and CEO of Cybex**, and they both agreed one hall is best for everybody and seemed willing to cooperate to downsize their exhibits so **IHRSA** could rework the upcoming 30th Anniversary **IHRSA Trade Show** in 2011 to include all exhibitors in one hall. **Stay Tuned!**

•For folks who feel that the **YMCA** has had an unfair tax advantage over commercial health and fitness clubs because they are a **501(c)3 Association**, hear this. My friend, **LLOYD GAINSBORO**, owner of the very successful **Dedham Athletic Club In Dedham, MA** and former **IHRSA Board Member**

suggested at the **IHRSA Tax Forum** that some **IHRSA** multi-purpose clubs may be able to do what the **YMCA** has done for decades, avoid paying taxes by **converting a portion of their clubs to not-for-profit 501(c)3 organizations**. This is a very interesting proposition because, should this be successfully done, some **IHRSA** clubs could begin to enjoy at least a portion of the 33% cost advantage that **YMCAs** of America have been enjoying over commercial club owner/operators for years. Stay tuned for more news on the development of this idea, as we will keep you posted.

•Check out **WALLY BOYKO's Ad on Page #27** for details on the **28th Annual National Fitness Trade Show**, to be held in Reno, Nevada August 18-20th. There will be quite a speaker lineup including: **RED LERILLE, BILL PEARL, MIKE CHAET, STEVE LUNDIN, DONNA KRECH**, yours truly and several others, and there is no charge for attending the seminars! Plus, rooms at the **Grand Sierra Resort and Casino** are only \$79. **MARK MASTROV** will be honored with **NFTJ's Lifetime Achievement Award**, and **JOHN GUELZOW, SCOTT FRASCO, MICHAEL ROJAS** and **JOHN SALVITTI** will receive the **NFTJ Distinguished Service Award**. Also, the always awesome **Ms. Fitness USA** and **Ms. Fitness World Contests** will be held. For information about exhibiting, contact Wally Boyko by email at WallyBoyko@aol.com.

•**Crunch Fitness** has shut down its **Parkway Pointe** location here in **Marietta, Georgia**. When I called the number for that location, the line had been forwarded to **LA Fitness** down the street and according to the person who answered the phone

...Ray Gordon

continued from page 7

bers so that you know how to accurately prescribe a successful program for them. Use this personalized portfolio to keep your new member motivated. **Don't wait until they become de-motivated before you try to reactivate them because it is usually too late.**

Be proud of the extra effort you put into your motivational calls to your new members. The primary purpose

at **LA Fitness**, they are honoring the **Crunch Fitness Memberships**.

•**The Stone Creek Club & Spa** in Covington, Louisiana has hired three new key employees in preparation for the opening of the 52,000 square-foot, upscale health club situated on more than 14 acres. The new hires include: **BRETT CUSTER, Tennis Director; RANDALL DORVIN, Athletic Director** and **KATIE SANTANGELO, Member Services Director**. The club will offer a first-class tennis facility, outdoor swimming area and a luxury, 9-room spa. Currently under construction, the club is scheduled to open in early Summer and charter membership sales are going on now.

•Now, this important message, "**Courage is resistance to fear, mastery of fear - not absence of fear.**" - Author unknown. So, if a fear of the future is part of your everyday life these days, let me encourage you to resist that fear with the use of the inner courage you do possess, and by mastering and defeating the drain of fear from your performance, you will prosper. Replace fear with hard work, and you'll be a lot better off in your club business.

•**PETER BROWN** has now ceased publication of **Fitness Management Magazine** after initially planning on future publication online. The February 2009 online edition was the last edition of **Fitness Management**.

•Word in San Francisco was that **LifeTime Fitness** has shut down two of its new club construction projects; one that was under way and one in which construction had not yet commenced. Stay tuned as we are researching this for confirmation and more details!

•As I mentioned earlier, my son,

JUSTIN and I, attended **Thomas Plummer's** one-day seminar at **IHRSA 2009** in San Francisco, and I want to remark about another thing that I noted there. That was that **HENRY POLESSKY**, the **Founder and Owner** of the **Fitness World** chain of ten clubs in Vancouver Canada, was there. Henry has been in this business for 50+ years now, and there he was at **IHRSA San Francisco** sitting in on a full-day learning session so he can make his clubs better. Now that's what I'm talking about when I urge you folks to read, learn, find new educational opportunities and be there! **Happy 50th Anniversary and Congratulations Henry!** Check out **Thomas Plummer's NFBA Ad on Page #13**.

•**IHRSA's JOE MOORE** and **ART CURTIS** held a session in San Francisco to get **IHRSA Member** input on the new accreditation program that is currently a work in progress. The turnout for the session was not great, but this is one subject we all need to know about and weigh in on. Therefore, I've published an article submitted by former **IHRSA Board President, STEPHEN THARRETT**, and it appears on **Page #34**. Thanks to Steve for his work and contribution, and thanks also to **Dr. JAMES PETERSON**, for his assistance with editing. And, thanks to Joe Moore and Art Curtis for all the effort they've been putting into this important development.

•Among many, it was great seeing **MARK** and **DEBBIE EISENZIMMER** and their family at **IHRSA San Francisco**. They are Co-owners with Mark's Dad, **FRANK**, of three **Cascade Athletic Clubs** in Gresham, Oregon and have served their community since **1977**.

(See *Norm's Notes Page 10*)

behind making motivational phone calls is to help them succeed! These calls should be made with the same professionalism and intensity demonstrated during the tour. Most *non-exercisers* will appreciate any and all efforts made by those whom they trust to help them. Remember, they need all the optimism and hope they can get.

This is just one of the things that you do for your members that will dramatically increase their chance of change and success, a little thing that you

can do routinely that is probably not being provided by your low-cost competitor. Out of the thousands of *non-exercisers* in your market area, there are many that will justify the higher dues to your club if they believe it will increase the odds of their success!

(Ray Gordon is the Founder of *Sales Makers*, a company honored by **IHRSA** as its Associate Member of the Year and honored with the Associate Member Wall of Fame designation. Ray may be reached at: rayg@salesmakers.info)

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A Bronx Tale: \$300,000 in EFT

BRONX, N.Y. - The Planet Fitness franchise on 225th Street in the Bronx achieved a milestone in March --\$300,000 in monthly EFT, a first for the New Hampshire-based health club operator.

To celebrate, club owners, Jeff and James Innocenti and Gino LaVerghetta, threw a surprise party for the gym's tireless manager, Al Grier, handing him the keys to a brand-new Suzuki motorcycle.

"I can't believe they did this," Grier said March 17th after climbing aboard the \$12,000 bike. "They're such great people to work for. Amazing."

Grier didn't have time to go for a ride. As boss of a 15,000 square-foot gym that logs 1,700 workouts a day, it's tough to take a slide. "I get here at 10 in the

morning and don't leave till 9 at night, or sometimes later," Grier says. "It's go-go-go. But, I'm off on Fridays. That's when I'll go riding."

Grier, who grew up in Manhattan, managed another Planet Fitness club in the Bronx before overseeing the launch of the 225th Street gym in June 2007. During presale, the club was signing up 400 people a day. It took about a year to hit \$200,000 in EFT. The pace has slowed since then, but not by much. On a busy day in March, the club typically signs up more than 60 members.

Grier says there's no magic to the club's success. "It's pretty simple," he says. "We give people a clean environment and a friendly atmosphere. Our members see people like them-

selves in the club. They're comfortable. They enjoy being here."

"AI is integral in dealing with --and understanding-- all of the nuances of the area," says Jeff Innocenti. "He relates well with the members and has great control of the club. His efforts are a key to us reaching \$300,000."

How high can EFT go? "I don't think there's any limit," Grier says. "Are there people in the Bronx who don't belong to Planet Fitness? Yes, there are. That's the way I look at it."

The Innocentis and LaVerghetta owned three Gold's Gym locations in New York City before converting them to the Planet Fitness model in 2004. Since then, the trio has launched 20 more Planet Fitness gyms in metropolitan New York and New Jersey, achieving gross revenues



(L to R) Planet Fitness GM, Al Grier; Club Owners Jeff Innocenti, Gino LaVerghetta and James Innocenti

of about \$25 million. Planet Fitness, which began franchising in 2003, opened 80 gyms last year and has 265 clubs in 31 states (See the **Planet Fitness Ad on Page #2**).

...Norm's Notes

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• **IHRSA's 21st Annual Institute for Professional Club Management** will be held at the **Resort at Squaw Creek** in Reno, Nevada, August 2-5, 2009. This is the single top level management learning opportunity each year in our industry and the All-Star faculty includes: **RICK CARO of Management Vision**, **CASEY CONRAD of Communications Consultants**, **NESTOR FERNANDEZ of Western Athletic Clubs**, **BRENT DARDEN of Telos Fitness Center**, **GREG LAPPIN of Rochester Athletic Club**, **BILL McBRIDE of Club One**, **LAURIE CINGLE of Laurie Cingle Consulting and Coaching**, **JAROD COGSWELL of Leisure Sports, Inc.**, **SUZANNE BERTHAY of HR Pro Shop**, **PHIL KAPLAN of Be Better Fitness Solutions**, **STEPHEN THARRETT of Club Industry Consulting**, **DARON ALLEN of Visual Fitness Planner and DOUG LIPP, Former Head Trainer of Walt Disney University**. For more information, or to reserve your seat for the finest IHRSA Institute yet, please contact **NICOLE JOHNSON**, Institute Registrar, at nj@ihrsa.org, or call her directly at **800-228-4772 Ext. 197** for immediate assistance.

• East coast-based **Peak Fit-**

ness Health Clubs filed for bankruptcy for four locations in Raleigh, North Carolina on Thursday, April 9th, according to the **Charlotte Observer Newspaper**. The Raleigh clubs, and a number of others in the **State of North Carolina** have been heavily hit by numerous lawsuits and these reportedly have forced the bankruptcy. According to the report by **KIRSTEN VALLE**, landlords and tax collectors have been among 200 creditors nipping at the heels of the company. **LAURA HAID**, spokeswoman for Peak Fitness said, "It is part of the challenging economy." Thanks, as always to my source for this news.

• **LifeCenter Plus Health and Fitness Center** in Hudson, Ohio conducted a statewide **Adaptive Aquatics Workshop** (See **Photo on This Page**) for Certified Water Safety Instructors. The two-day workshop drew 45 attendees and was given by pioneering **Red Cross Adaptive Aquatics Water Safety Instructor/Trainer, JIM BEESON**, and taught swimming techniques for people with disabilities, which can range from children with autism to adults with disabilities and age-related challenges. The benefits of adaptive aquatics include better coordination, strength, stamina, self-confidence, overall health and increased social skills. Thanks to my long time friend, **JAN RUBINS, LifeCenter GM**

and to **JIM CLARK, Assistant GM and Aquatics Director** for sending this information.

• More headlines on the **Obesity Pandemic** with the most recent released in early April that **20%** of kids in the United States are overweight by age 4.

• "**Clear your intersections when driving!**" is the advice I've given my son, **JUSTIN**, for years. Think about it folks. Had the young woman driving the car carrying young **California Angels** pitcher, **NICK ADENHART**, just slowed a bit and cleared the intersection in Fullerton, California when drunk driver, **ANDREW THOMAS GALLO**, was running the red light, she and 22-year old Adenhardt and another passenger would still be alive today. Gallo was charged with three counts of murder, as he tested at triple the legal limit of alcohol content. Sadly, Adenhardt had just pitched six scoreless innings for the Angels season opener against the Oakland Athletics, and his father, **JIM ADENHART**, a retired **Secret Service Agent**, had flown into town for the game. I know this memo has nothing to do with the health, racquet and sports club industry, but **losing YOU or YOU losing one of your loved ones** would hurt our industry, thus this Note. So, I am sounding this "**Clear your intersections!**" alarm loud and clear. When



Adaptive Aquatics Class at LifeCenter Plus

you approach any intersection, especially one with a light that is green for you, take the time to save your life and the lives of your passengers by slowing down and looking right and left before proceeding. In your lifetime, you will very likely avoid dying or being seriously injured in an auto accident by having the habit of clearing every intersection. Don't go on green until you're sure no one is running a red light! Nothing can stop a drunk, or sober person for that matter, from running a red light, but you can avoid being hit by such a person by just slowing down a bit, looking left and right and making sure your path is clear before you enter the intersection. Please *pass this forward*, and tell your children and your friends too. This unnecessary accident was heartbreaking, and may young Nick Adenhardt and others who perished in the wreck rest

in peace. And, may you and your family always travel safely.

• **Photos from IHRSA 2009 San Francisco** are available for viewing on our website at www.clubinsideronline.com/IHRSA2009

• **God Bless America! God Bless You, Your Family and Your Club(s)! And, very importantly, God Bless our troops, airmen and sailors fighting for us "over there!" And, right now... God bless all of you folks fighting back the Red River!**

(Norm Cates, Jr. is a 35-year veteran of the health, racquet and sportsclub industry. Cates was the Founder and is now in his 16th year as the Publisher of **CLUB INSIDER**. He may be reached at **770-850-8506** or Norm@clubinsideronline.com)

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...Insider Speaks

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their life. Additionally, the club should not just be a place for one's body, but it should also be a place for one's mind.

In Godin's book, *Tribes*, he unequivocally states people want to be connected. Isn't this true in your own life? Well, it is true for your members as well. What are you doing to connect them, not only to your club or staff, but to their fellow members? Additionally, what are you doing to connect the community to your club before its citizens even become members of your club?

During his presentation, Godin asked a very important question, "Do you have a story?" Think about it... People love stories! Look at the books we read, the television shows and movies we watch and the need we have to be connected and know what is going on in the world in which we live. Stories are everywhere; they are all around us. So, tell the community you serve your story, and invite them to become part of that story. If the story is good enough, they will tell their friends, much like you would if you saw a purple cow. Telling your story and allowing others to tell theirs as it relates to yours connects the tribe. Once connected, it is hard to leave because members have built their own stories within the tribe.

It's Easier Said Than Done

I know what you are saying, "Tribes... That's all well and good, but it's easier said than done, and I have bills to pay and a business to run in the meantime."

Well, I totally agree. No one said it would be easy. Much like building a brand, building a tribe is not something done overnight. It takes time, dedication and plenty of failure before you get it right.

Prior to seeing Seth Godin speak at IHRSA, I attended Thomas Plummer's full-day IHRSA seminar. The presentation was titled, "Why the Fitness Business Model Failed and How to Fix It: Increasing Revenue by Reinventing the Model." Little did I know then that both Plummer and Godin's presentations would overlap in terms of assessing the overall state of our industry.

One of the Plummer's opening slides really put the problem out in the open. It read:

We Have Failed the Consumer

- We basically just rent equipment
- We don't provide ongoing support
- We don't provide decent weight loss programs
- Our training model doesn't work unless you're a bodybuilder.

He went on to explain the fact that we are not the first choice for weight loss. That is not good considering the population of overweight and obese people in this country. Instead, it seems our facilities are seen as places for those already in shape. Why? Well, in Plummer's words, "We are, and continue to be, very insulting to the people who need us most." This comes across through the industry's traditional marketing approaches (hard-body ads), traditional sales practices (the hard-sell), traditional hiring (young and inexperienced employees in contact-point positions) and traditional equipment and facility layouts that have an emphasis on bodybuilding and not on lifestyle (no room for functional training, not to mention horrible color with no energy).

Midway through his seminar, Plummer had fully debunked the fitness model as we currently know it, and the people I had a chance to speak with during the seminar's mid-day break weren't sure what to think. This is okay. It is natural to want to remain in a comfort zone. That comfort zone, however, may not be in the best interest of your business or your members.

Just One Example

A great example of this is one-on-one personal training. Do you believe this binds your member to your club? Will they seek training throughout their time as a member to your club? Is it your most profitable personal training option? The answer to all of these questions is no. Though a member may enjoy talking to and getting to know his personal trainer, he is not interacting with fellow members and building new relationships with people who may be very much like him. Then, once he has learned what he thinks he needs to learn to at least maintain his current level of physical activity, he may try to save the money he is paying for PT and train using the program he already has. Finally, one member per trainer is a waste of time and limits the profitability you could

achieve with that same trainer.

You know where this is going. Semi-private and group personal training solves all three of these problems. From a financial standpoint, what would you prefer; one client at \$75 or four clients at \$40 each? I trust you would choose the latter. These four clients then interact with each other during their personal training session. Relationships can and will develop because we are social creatures. This is not to mention how creating a group dynamic will greatly increase your member's chance of fitness success, whether because others will not let them fail or they feel they will fail the group if they do not succeed. Finally, having a workout of the week or month greatly reduces the "learn-and-go" mentality of the member. If your head trainer consistently comes up with unique and FUN workouts for his personal training team to teach their clients, there will be a need in the member's mind to continue their training sessions because he doesn't know what is next, but he knows it will be fun!

Personal training is just *one example*, and there are many ways to accomplish great success with a personal training program. Additionally, there are many other areas of the traditional model to address in the same manner. No, I am not saying semi-private and group personal training is the cure-all to everything, but I am saying that thinking about everything your club does with a new light focusing on creating better value for the member can yield amazing results. I do not advocate for this or that because every facility and demographic is different, but instead, I am advocating for an attitude of critical thinking directed towards constant improvement that will create greater value for your members.

Constant Improvement

16 years ago, CLUB INSIDER produced its first cover story on an amazing club owner named Red Lerille. In a 3-part series covering Red's club in Lafayette, Louisiana, two statements he made still resonate in my mind (I was 8 when I first read his story). First, he said, "Show up on time ready to work." Face it, extremely hard work is what it takes to succeed in *any* business, and if that is not your cup of tea, you will most



Thomas Plummer at IHRSA 2009

likely not succeed. Next, he said, "Make at least one significant improvement to your club every month." Think about that for just a moment...

A business is not static. It must change over time to keep up with the pace of competition, not to mention social evolution. If you want proof of this, take a look at Red's. On January 13, 2009, he celebrated his club's 46th anniversary! Opening in 1963 with 4,000 square feet, Red has grown his club into the largest facility in the south with 185,000 square feet covering 20 acres and serving 14,000 members. If you take a look at their website (www.redlerilles.com), there is an entire section devoted to the history of the club and included are dozens of photos and a description of every major improvement made in the 46 years the club has been in business.

To close, there are many very successful facilities out there, and they have become successful for many reasons. Some are the only ones in their market and others control their markets because they offer a superior value proposition to their members and prospective members. However, one thing the *best* have in common is that they *are remarkable*. When citizens in their community are ready to pursue physical fitness, their facility is the first one thought of, and once a new member commits, they keep them as members because they continue to service them *every time they visit*. They do not forget about them. In fact, they yearn for their feedback because, though the club is successful, they continue to operate as if they have something else to prove. Like their members try to improve themselves physically, they seek to improve their facility (not just physical improvements), and thus, increase

the value to their members. Over time, this creates a ratio of costs versus benefits to the member where the only logical conclusion is to stay, but they are not just staying because of a dollar figure. They are staying because of the intrinsic benefits of seeing friends every time they come to the club and the inner fulfillment of becoming physically fit.

During his presentation, Seth Godin presented a framework that sums everything up. First, tell a story. The story is your club. If the story is good enough, your members will spread the word. If the word is spread, this is a signal to you that you have permission to tell another story. That story is the improvement of your club. Continue to make it different and better. The next step in the cycle is finally becoming remarkable. Being remarkable, however, is the aggregate of the previous steps. You cannot be remarkable without them. Then, the cycle starts over. You can be remarkable and then lose that status, so you must be ever-vigilant and continue to improve; every day, every week and every month, year after year.

So, what are you doing to make your club more *remarkable* today?

(Justin Cates is the President of CLUB INSIDER and grew up in the health, racquet and sports club industry. From the age of eight, he spent his non-school and sports hours in a home which doubled as CLUB INSIDER Headquarters. He has lived and breathed this industry for 24 years, since his own day one. Now, he is an integral part of the "Story" of Norm Cates and CLUB INSIDER. Justin may be reached at Justin@clubinsideronline.com or by phone at 770-394-7285)



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...Phil Wendel

continued from page 3

An In-depth Interview With Phil Wendel, Founder of ACAC

CLUB INSIDER (C.I.) - Phil, please tell us about your early years; where you were born, grew up, educated and what interests you had as a young man. Also, please tell us about your family.

Phil Wendel (PW) - I was born in Chicago, and my dad was a career military man. Most of my early years were spent in the Chicago suburbs where I attended both high school and college. I attended Illinois State University and Lake Forest College and loved all forms of sports (both as a participant and as a fan), especially baseball, football and basketball. I played baseball in college. I have six children (five daughters and one son). The two younger ones (Kailah and Kodie) are still in school. Kailah is a junior at Clemson, and Kodie is in high school. The four older daughters (Leslie, Kim, Allison and Cheryl), three of whom live in Charlottesville and one in San Francisco, have produced seven grandchildren.

Following college, I taught American History, Government and Economics at a Chicago-area middle school for four years. While I was teaching, I coached basketball and baseball. I also began taking our eighth graders to Washington, D.C. during their spring break --it was a great experience for History and Government students to visit Washington, and thus, began Lakeland Tours, my student travel company. While still teaching, I began selling the Washington trip to area middle schools as a side job. It paid much better than

teaching, so after four years of doing both, I took the plunge and focused on student travel full time. I remained active in student travel until the mid-1990's and moved the company from Chicago to Charlottesville, VA in 1979. Lakeland had become one of the largest student travel companies in the industry. I sold controlling interest in Lakeland Tours in 1998 to First Union Capital Partners. Today, the company, now called Worldstrides, has over 350 full-time employees and annual sales of \$200,000,000. Additionally, the company now has lifetime sales of over \$2.2 billion.

C.I. - How and when did you first become involved in the health, racquet and sports club industry, and what year was ACAC founded?

PW - I remained active following college and was introduced to weight training by a friend in the mid-1970's. I found that weight training changed my body and made me more effective in the sports that I continued to participate in (basketball and baseball). I became a real advocate and proponent of weight training and would encourage anyone who would listen to me to lift weights. In 1984, while still remaining active with Lakeland Tours, I opened a small fitness club (6,500 square feet) in Charlottesville, VA with the then strength coach at the University of Virginia. That club, ACAC, had strength equipment, a small group exercise space and six Lifecycles.

With funds from the sale of Lakeland Tours, we opened a large big box fitness center in Charlottesville, Virginia in a strip mall. Tim and Liz Rhode (Tim being a former IHRSA Board Member) introduced

me to the concept of wellness. Fundamentally, their concept of wellness broadens the appeal of exercise to larger markets. Spurred on by IHRSA commissioned research, I became intrigued by Harvey Lauer's research on Americans' attitudes towards fitness. The piece from CBI, written by John McCarthy, showed that over 60% of Americans believed in exercise, and yet, weren't doing enough to get the benefits. That became my ah-hah moment... an entrepreneur's dream. My driving force began then when I realized that our industry could potentially reach 80% of Americans instead of the 15% that we were already attracting. Tim suggested that Grant Gamble be brought to Charlottesville to help us open our big box.

C.I. - Phil, I know that after working with you for 11 years, Grant Gamble moved back to Australia last year. What a great guy and sharp club operator!

PW - An Aussie by birth, Grant came over in the fall of 1997 to help open our large 64,000 square-foot wellness center. He planned to stay a few months... he stayed 11 years. His presence and tremendous marketing skills helped grow ACAC from 3,000 members to over 15,000. Sadly but understandably, Grant returned to Australia last summer to take on new challenges and be closer to his family.

CLUB INSIDER contacted Grant Gamble in Australia for a comment about the eleven years he spent working with Phil. Grant said, "When I initially began working with Phil, he had been on an odyssey visiting over 100 clubs nationally in an attempt to glean the best elements of each for his foray into 'wellness'. He very clearly understood the distinction between 'wellness' and 'fitness' and was determined to create a facility that imbibed the essence of wellness. My role was to simply bring Phil's vision to life, in this industry he had 'tinkered in' to date, and with the help of a talented team we attracted over time, we did exactly that.

I think Phil's 'odyssey' to the top clubs nationally highlights his passion for the industry and gives a tremendous insight into his ability to gather multiple data points in his quest to truly understand this business and create something unique. One of Phil's other gifts was to gather



ACAC Albemarle Square

talented people around him and create an environment in which they can flourish. I personally moved to the States with Phil thinking I had a pretty good handle on the industry internationally. In some ways, I was a neophyte, and I credit Phil's wherewithal for the greatest opportunity that has been put in front of me to do something really special.

Phil is the quintessential entrepreneur, and we remain lucky to have had his business acumen flow over into the industry we are collectively passionate about."

C.I. - Please describe the first ACAC location, I think the Albemarle Square Club... How big is it and how many acres? And, has it been expanded or renovated significantly? Please also describe the Downtown location that is now open.

PW - Our first large location at Albemarle Square, a strip mall, is advantageously located and has plenty of parking. It is 64,000 square feet and was designed by Hervey Lavoie from Ohlson Lavoie Collaborative out of Denver, CO. Amenities include four group exercise studios, an indoor track, three indoor pools, assisted changing rooms, two nice locker rooms, express lockers, child care, strength and cardio and a large area called "Health Quest" where we train people relatively new to exercise. That concept was borrowed from Joe Circulli (Thanks Joe!). In Downtown Charlottesville, we opened our second flagship (47,000 square feet) a little over two years ago. Before opening that location, we had a 10,000 square-foot club Downtown that saw about 200 daily visits. The new ACAC Downtown includes squash and racquetball, an indoor track, three mind-body studios, a cycling

studio, two indoor pools, a large group-ex studio and a rooftop pool (Thanks to the East Bank Club of Chicago for that great idea!). Both flagships include a physical therapy component which we co-own with one of our local hospitals. Each club today has about 1,500 visits daily (3,000 total each day). Our youth campus is called Adventure Central; it sits on seven acres and has a gymnasium, six programming rooms, a large outdoor water park, seven outdoor tennis courts and classroom space. We lease the classroom space to a local private school. The principal sources of revenue at Adventure Central are our summer camps, an after-school program, our summer water park, tennis (principally for adults), rental income from the school and birthday parties.

C.I. - Please tell us about the early years of ACAC.

PW - During the early years (1984 thru 1996), we were simply a typical fitness center. We never made money. Thankfully, operating deficits were covered by my successful student travel company. We outlasted several clubs in our area by simply being better capitalized and having more staying power. When, thru IHRSA, I met my first consultant, Rick Caro, I brought him to town to appraise ACAC. The only nice thing he had to say was that ACAC had an overly generous owner.

C.I. - What steps did you initially take in the medical evolution and transformation?

PW - Just before opening the multi-sport Albemarle Square big box in 1998, we began toying with the idea of increasing our appeal. We did this by hiring some Exercise Physiologists from the
 (See Phil Wendel Page 16)



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...Phil Wendel

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University of Virginia. We also established wellness boards inside the club whereby we distributed 'good articles' on fitness and wellness to interested members.

C.I. - When you first began to reach out to doctors in your market, what was your approach and how successful were you?

PW - When did we first begin thinking of medically based fitness? I must credit a break-out session I attended at an IHRSA conference in the early 1990's. I can't recall the presenter, but the subject was how club owners should begin getting referrals from physicians. I put that in the back of my head for future use. Our pathway to medically-oriented fitness began by building relationships with physicians who used our club (1999). We asked them to serve on an advisory board, and we brought them together for dinners a few times each year. We sought out, logically, the doctors who were in our club over 200 times per year and built relationships with them. About five years ago, we rolled out a short-term referral program called 60-60. In that program, we gave physician referrals a short-term membership (60 days) for a very affordable \$60. Shortly after the programs rolled out, we began receiving about 30 referrals per month. In the program's second year, the monthly referrals doubled to 60 per month. The program maxed out in 2007 and 2008 at over 800 referrals per year.

Since the program's inception, 42% of the participants have converted to a full membership. Another 20% of the participants remained active outside the club (joined other

clubs, exercised outside, etc). The grand slam home run, however, happened in the last two months. Our Marketing Vice Presidents, Eric Steed and Missy Kent, came up with the idea last summer of going directly to consumers by producing an ad taken from Big Pharma. The campaign was called "Ask Your Doctor" and featured one of our local physicians. We produced a television commercial and ran it extensively in Charlottesville. We also used some print advertising. In both February and March of this year, we received well over 200 referrals per month. At the close of March, our physician referral program, now called P.R.E.P. (Physician Referred Exercise Program), has resulted in nearly 800 prescriptions in all three clubs and over 500 prescriptions in Charlottesville alone. If we are as successful in converting our 800 P.R.E.P. participants as we have been in the past (42%), the total value of this program to ACAC over the next 36 months will be \$1,280,000 (42% conversion rate, times \$80 average monthly rate for 36 months plus ancillary revenue). If you divide that \$1,280,000 by 36 months, you can see the value per month at around \$36,000 in extra revenue.

The second half of the 60-60 and P.R.E.P. Programs is as important as the first half, namely, what do we do with the enrollees over the 60-day period. They receive full access to the club, and they work with our P.R.E.P. team, which includes exercise physiologists, personal trainers and a nurse. They participate in two small group sessions per week, and they are also assigned to a salesperson who follows them during their sixty days in the club (phone calls). Without

back end excellence, the program would die within months. We have given the program to Lloyd Gainsboro of the Dedham Health Club in Dedham, MA; Bob Shoulders of the Fayetteville Athletic Club in Fayetteville, AR; and Tim and Liz Rhode of the Maryland Athletic Club. The program is now copyrighted and licensed. Amanda Harris runs the service piece, and she can be reached at amandah@acac.com (See **Amanda Harris' Comments on Page #20**).

C.I. - Reviewing your website, www.acac.com, I found the Wellness MD button, and within that section, found information on Wellness Screenings, Personalized Medicine, Sports Medicine, Medically Supervised Weight Loss and a Diagnostic and Treatment. Please comment on your website.

PW - Wellness MD... We hired a physician two years ago, Dr. Martin Katz. His office, Wellness MD, does Sports Medicine, Medically-Supervised Weight Loss and some Executive Screenings. His offices are located adjacent to ACAC. It is too soon in the process to suggest we've hit a home run with this, but it certainly adds to our medical credibility.

C.I. - You have approximately 16,000 members in your ACAC clubs in Charlottesville, VA, a city of about 120,000, but you have a lot of competition given the market size. What are your membership joining fees and dues rates?

PW - We do have a number of competitors in Charlottesville; Anytime Fitness, Snap Fitness, Gold's Gym, the Boar's Head Sports Club and on-campus facilities at the University of Virginia. Our rates for an individual are \$85 per month, \$147 per month for a couple and \$168 per month for a family. Our base joining fee is \$234. We seldom discount (Exceptions: short-term memberships and corporate memberships where the corporations subsidize, etc).

C.I. - What would you say is the key to your success in the Charlottesville market? What are your total annual revenues (If you disclose such information)?

PW - Our success keys include but are not limited to:

A. We have grown the market exponentially by appealing to



ACAC West Chester

those who traditionally have not exercised.

B. We have developed a close relationship with the local medical community. This does not happen overnight; it is a process. We are now MFA-certified (Medical Fitness Association), a challenging process but one that is clearly worthwhile (I believe only two commercial centers in the United States have achieved this honor).

C. We do it with our people. Of the 113 full-time employees on board as of January, 2008, 100 are still with us. We pay well, much better than the industry in general, and we invest in our people and strongly support on-going training.

D. We give world class customer service. We manage to the "Net Promoter Number." On a 1-10 scale, we ask our customers each year, "How likely would you be to recommend ACAC to a friend?" Those that give us a 9 or a 10 are "Net Promoters," those that give us a 7 or an 8 are neutral and those that give us a 1 through a 6 are detractors. The average Fortune 500 Company has Net Promoter scores in the teens. Our Charlottesville clubs are in the 70's! In 2008, our total annual revenue in Charlottesville was just over \$16,000,000 (that number was \$3,000,000 in 1998).

C.I. - Your Aquatics Centers are terrific. Please tell us about your ACAC Aquatics program.

PW - We've invested heavily in indoor and outdoor water facilities. This investment has paid off very well in attracting the medical community, water-based exercise participants, and lap swimmers, and it provides us

with opportunities to have swim teams and offer swim lessons.

C.I. - I noticed on your website that you offer Summer Camp Programs. Tell us about them.

PW - Our Summer Camps are amenity-driven. Margins are excellent, participation levels are high and we generally attract young people between the ages of 5 and 11 (See **Eric Steed's Comments on Page #20**).

C.I. - ACAC has a major list of community partners that you refer your members to. Tell us about that program, please.

PW - Grant Gamble brought the concept of having community partners to ACAC. We have lots of them. A community partner is a local business (dentists, restaurants, sporting good stores, etc). Any person who joins ACAC receives a discount at a community partner by showing his or her ACAC key tag. Generally, the discount is about 10%. So, if used extensively throughout the broader community, it could pay for one's membership!

C.I. - ACAC also has clubs in West Chester, PA and Richmond, VA in affiliation with your Charlottesville clubs. Please tell us about those clubs.

PW - Both are solely owned by yours truly. The Richmond club is over 30 years old. It was an opportunity buy. It was formerly owned by a hospital group. We purchased the club four years ago and have grown membership by 50% and doubled revenues from \$3,000,000 to over \$6,000,000. It is managed by Joyce and Eric Steed. It has a very strong indoor and outdoor tennis component and was recently named club of the year by the (See **Phil Wendel Page 18**)



ACAC West Chester Water Park



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...Phil Wendel

continued from page 16

USTA Mid-Atlantic/Virginia. It sits on 16 acres and has virtually every component of a traditional multi-sport club. Our West Chester facility sits on 18 acres, has about 120,000 square feet under roof and does just under \$10,000,000 in annual revenue. The club is six years old, and the General Manager is Corky Bishop. I am also partners with Tim and Liz Rhode in the Maryland Athletic Club (The MAC). The MAC has three locations in Baltimore (two are large flagship multi-sports facilities and one is an express club). ACAC will also open its first Express Club in Crozet, VA later this summer. It will be much like a branch bank. Crozet is 15 miles west of Charlottesville. The club will have fitness-only amenities (strength, cardio and group exercise). Its membership dues rate will be in the high \$40's. We also plan to open a multi-sport in Lynchburg, VA sometime in 2009 or 2010. We have already purchased the land.

C.I. - Phil, I know you've been a loyal IHRSA Member for a long time and will finish your 4-year term on the Board of Directors at the end of June. First, I want to thank you for your service to IHRSA and the industry overall, and will you please tell us your thoughts about IHRSA?

PW - I am honored to serve on IHRSA's Board, and as you mentioned, my term expires this June. I have learned much and met many wonderful people. During my tenure on the Board, we dealt with John McCarthy's departure, finding his successor, the European Coup, the Music Issue and revenue challenges. Because of the challenging economic times,

IHRSA's revenue will drop somewhat in 2009. The IHRSA team is absolutely tremendous and capably led by Joe Moore. It is an incredibly hard working group of 70 people. Their principal sources of revenue are the annual convention, ad sales (CBI), and membership dues. I have strong positive feelings and strong negative feelings about IHRSA:

1. They are doing great work in Public Policy, especially on the state level. They have had many successes fighting off sales tax initiatives during my tenure. Helen Durkin and her team are great at this. Member clubs, for no other reason, get full value for their dues from these Public Policy efforts by the IHRSA team. A sales tax initiative in any state would increase what members would pay between 4 and 6% per month. Add to that the cost of collection and filing and the club's inability to raise prices if tax increases are forthcoming and one can easily see the value equation.

2. The IHRSA team works hard to get favorable legislation passed in Washington. Two important bills are WHIP and PHIT. Our efforts require enormous resources, the hiring of lobbyists and visits to Washington D.C. by club owners. It is taking forever and is extremely expensive.

3. The IHRSA team is stretched far too thin. We are simply trying to accomplish far too much with very limited resources. Annual revenue during my Board Tenure was in the \$15 to \$18 million dollar range. I ask these questions:

•Should we not determine our priorities and limit our focus?

•Can we truly be a worldwide association?
 •What creates the most value for our membership?

4. If I were king for a day, I would spend virtually all of my energy on the value equation. Namely,

•What things should IHRSA do to greatly benefit our Member Clubs and our Associate Members?

•With so much wind at our backs, shouldn't IHRSA's annual revenue be in the \$30 to \$50 million dollar range?

•What do we have to do to get there?

•Why should the NRA be 100 times more influential than IHRSA?

5. Here's where I see opportunities to grow our trade association and make our members (both club owners and associates members) more successful in building their respective businesses:

A. We should have 100 million health and fitness club members in the U.S., not 41 million. We're looking in all the wrong places. Today, womens-only clubs, convenience clubs and multi-sport clubs are fighting over those 41 million members on price, convenience and amenities. Are we not better off as club owners and IHRSA in trying to find the best ways to grow the industry? Imagine how much better things would be for all of us if a club designed to be profitable at 400 memberships had 600 or multi-sports with 12,000 members had 15,000! In my humble opinion, this will only be accomplished by growing the 41 million Americans that join our clubs to 50 million, 60 million and beyond.

B. What do I mean by the value equation? At the end of the day, any business, in order to succeed, must meet three needs:

1. You need to attract and retain your customers.
2. You need to attract and retain excellent employees.
3. The owner-groups need a nice return on their investment.

It's a classic win-win! Everyone might have a different definition for what a win-win is, though. For some it may be price, and for others, it may be service.

C. Let's go back to the 'interested de-conditioned,' the 65% of Americans who go to bed



ACAC Downtown Charlottesville Rooftop Pool

every night saying 'I know how valuable exercise is, and I wish I participated more.' Let's call that the 'Blue Ocean' of opportunity for club owners and IHRSA. What do we need to do to successfully broaden the welcome mat so that we can move this enormous demographic from inactive lifestyles into our clubs?

Publisher's Note: That folks, is Phil Wendel's excellent way of asking the "Question of the Century" for our Industry. For those who did not read it, check out my article on **Page #3** in our **March, 2009 Edition**, available online at www.clubinsideronline.com.

Have You Got the Picture?

I hope that all of you who've made it this far in this excellent case-study cover-story fully understand the magnitude of this report. In essence, this report is from a true pioneer in our industry in a realm virtually all club owner/operators have shied away from... dealing with doctors. For some reason, up until now, our industry has lacked the blueprint for success in this area. However, Phil Wendel has reached a special territory with ACAC and is giving back by sharing his knowledge with you in this report. ACAC's P.R.E.P. Program is now available by contacting **Amanda Harris** at amandah@acac.com (See **Amanda Harris' Comments on Page #20**). Phil Wendel has given an awful lot back to our industry through his service at IHRSA and continues with ACAC's most recent contribution of research and writings by Christine O'Neal Thalwitz for IHRSA's production of the updated "Economic Benefits of Regular Exercise."

Thank you Phil, and thanks to John Agliarolo, Chairman and CEO of Cybex for their sponsorship of this valuable industry resource. To obtain copies of The Economic Benefits of Regular Exercise, contact IHRSA at **(800) 228 - 4772**.

Keep this picture in your mind. Imagine a couple of years from now your club is generating 250 or more new memberships per month from doctor referrals. That is the reality you can develop. That is the future and one of the greatest answers to the biggest question, "How can our industry attract people from the 260 million non-members in the U.S. by developing relationships with them before they come to your club?" What better way is there to do that than to develop a relationship with them through their doctor, whom they trust? Develop that picture in your mind, and go for it today!

CLUB INSIDER would like to thank Phil Wendel, Lori Pleasants, Amada Harris, Eric Steed, Christine O'Neal-Thalwitz and Amy Hill for their kind assistance producing this terrific cover story.

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



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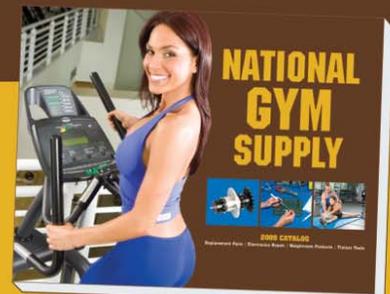
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Comments from Amanda Harris, Vice President of Fitness and Wellness, ACAC

CLUB INSIDER (C.I.) - Amanda, please describe your duties as Vice President of Fitness and Wellness at ACAC, how long you've been in the job, etc.

Amanda Harris (AH) - I have been in this job for 3 years and with ACAC for 9 1/2 years. The duties of my job as VP of Fitness and Wellness include:

- Overseeing all Fitness and Wellness Operations for all ACAC clubs, including:

- Medical Programs - Physician Referred Exercise Program (P.R.E.P)

- Fee-based and non-fee-based Fitness Services

- Develop and implement best practices in those areas.

- Work with GMs to mentor and train Fitness Directors, Medical Programs Directors in management style and systems

development.

- Work with GMs to develop and grow Medical Advisory Boards in each site.

- Work with VP of Sales Marketing and local directors to grow P.R.E.P. in each site.

C.I. - ACAC is doing amazing things in the realm of physician-referred memberships. Please share your thoughts on this process and its results.

AH - Let me describe our P.R.E.P. Program and Results.

I was actually in on the initial development of the P.R.E.P. Program. Phil Wendel came to me with his idea, and Eric and I ran with it. Eric worked on the sales side and I developed the program (staffing, logistics, culture, etc.). The three of us agreed from the beginning that it had to be more about getting people into the habit of regular exercise than about "perfect exercise programs" or

maximizing clinical outcomes. So, we staffed it with our best, both in education (exercise physiologists) and in people skills (customer service). There were people who were very qualified on paper, but they didn't make the cut. We wanted to address each of the five fears (physique anxiety, fear of isolation, fear of feeling stupid, fear of looking/feeling like a klutz and fear of the hard-sell) and make them entirely irrelevant. I think we've done that.

More recently, with our involvement with the Medical Fitness Association (MFA), we realized that clinical outcomes of the program are very important and very relevant, so we did start measuring them. We just don't push and shove people beyond their comfort zone to achieve them. What we've seen is that most of these folks will see some significant changes in blood pressure, cholesterol and body

composition, just as a product of doing something, anything. Once we get them in the habit of regular exercise, we can start to push them more. Sometimes, that's beyond the program. They may hire a personal trainer or attend more intense exercise classes, but they won't do any of that without *the habit*. That has to come first.

My thoughts on the P.R.E.P. Program? I love this program. It was my baby, well, it was *our* baby (Phil's, Eric's and mine), and it's grown really nicely. I think it's the best way to get those folks that are otherwise afraid to come into a health club, to not just come in, but feel supported and comfortable, form a habit and make a life-changing decision to be active. It wins the confidence of physicians because it addresses all of their concerns; commitment (it's only 60 days), qualifications of staff (exercise physiologists, nurses and ad-



Amanda Harris

vanced personal trainers *with* great people skills), available instruction (participants get two 20-minute small group sessions twice weekly) and updates on the patients (at least monthly). For this reason, the program creates powerful mavens in the community for your brand. It
 (See *Amanda Harris* Page 22)

Comments from Eric Steed, Vice President of Sales and Marketing, ACAC

CLUB INSIDER (C.I.) - Eric, please describe your duties as Vice President of Sales and Marketing at ACAC, how long you've been in the job, etc.

Eric Steed (ES) - I have had oversight of sales for the past 6 years. 2 1/2 years ago, I took over the Richmond Marketing effort, and a year ago, I added Marketing oversight at our other two clubs.

The two most important aspects of my role are helping with the strategic vision for sales and marketing and helping to grow the sales teams. I provide sales training at all three sites. I also take point on understanding the numbers for both sales and marketing for all sites. We work hard to make decisions based on the actual numbers so understanding them is essential to what we do.

C.I. - ACAC is doing amazing things in the realm of physician-referred memberships. Please share your thoughts on this process and its results.

ES - The 62% of the U.S. population who are the 'interested

de-conditioned' population we seek need two things more than anything else. First, they need to have tremendous support in their first 60 days. Second, since they have struggled to stay active, they need to limit their risk, financial and psychological. The P.R.E.P. Program accomplishes both. They receive intense support in small group settings over the first 60 days. Additionally, they only commit themselves to an outlay of \$60. Finally, the true partnership with their doctors puts them even more at ease. *After all, who can they trust more than their doctor?* The result is that we see far more people try to restart their active lifestyle than we would ever see with traditional approaches.

The results of this true partnership between ACAC, patient, and doctor are easily quantified. We have sent over 6,400 people through the P.R.E.P. Program in the last four years and over 2,500 have joined ACAC. Based on an exit survey, another 25% continue their new exercise habit at another club or on their own. So, well over 4,000 people

have made the decision to re-start an active lifestyle. When you have a partnership, a real partnership, good things happen for everyone.

C.I. - What are the three greatest challenges of your job, and how do you cope with those challenges?

ES - My real challenge in life is my desire to be the best at a job that could consume 80 hours a week and also to be the best possible dad to a 7 year-old boy who is the center of my world. But, here are my business challenges:

Challenge #1: Face time (being there) with three clubs. Tim Rhode once said, 'Culture is like the air you breathe. It is all around you, and it requires people, not rules' (This is not an exact quote but is mighty close). To create a sales culture in the Sales and Marketing departments and beyond, it takes time on the ground. Strategies are more easily handled over the phone or in email. Culture is something you need to be there for.

So, I travel to Charlottesville once or twice a week and provide sales training each week to the sales team. I travel to West Chester, PA every three weeks and provide training when I am there. I have weekly phone calls with the sales and marketing leaders in every club. Richmond is the easiest because I am here and because my wife, Joyce, is the GM. 90% of all conversations after our son Casey goes to bed are about ACAC Richmond (the rest are now about baseball).

I also work six days a week and have since my son was born. However, when I am not traveling, I pick him up after school, and we do something together. Two or three times a week, I go back to work after a few hours, but that daily time with him makes the longer hours completely worth it.

Challenge #2: Balancing the need for consistency among clubs while still allowing the teams of each club to have the creative freedom that makes their jobs worth doing for them.



Eric Steed

We keep looking for the perfect balance of efficiency through consistency and effectiveness through independence. I think this will be a tight wire we will walk forever. We are trying to plan large campaigns that all clubs can do together. For instance, the P.R.E.P. television commercials were shot in Charlottesville and used at all three clubs. The brochures were designed in Richmond and used at all three clubs. The sharing
 (See *Eric Steed* Page 24)



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IHRSA 2009 A Real Success Despite Current World Economy

BOSTON, MA - March 24, 2009 - The International Health, Racquet & Sportsclub Association (IHRSA) today announced the conclusion of the association's 28th Annual International Convention & Trade Show, where attendees from more than 70 countries gathered in San Francisco from March 16-19.

"What stood out loud and clear last week was the commitment of the global health club industry to lead both on the economy and in their communities," said Joe Moore, IHRSA's President and CEO.

"IHRSA club owners reaffirmed their commitment to their members, businesses and communities by coming together to learn from one another, research the latest innovations from our exhibitors and expert business faculty, but more importantly, demonstrated their willingness to give back to society by their strong support of worthy causes such as Augie's Quest and HealthCorps®," said Moore.

"On behalf of IHRSA, I extend my deepest appreciation to all the attendees who joined us in San Francisco once again for an incredible event, proving the strength of the industry even during uncertain economic times," continued Moore. "As I said in my opening presentation, I reiterate that I am extremely confident in the future of the health and fitness industry because the future of the industry distinctly lies with all of you, IHRSA 2009 attendees."

IHRSA reports nearly 10,000 industry professionals in

attendance. The 380,000 square feet on the trade show floor were occupied by 327 exhibiting companies, with total booth space equaling the third largest amount in IHRSA show history. Exhibitors displayed the latest and greatest in 30 categories of health and fitness equipment, products and programs. Fifty-two companies sponsored numerous programs and activities, an IHRSA record.

Nearly 160 educational and networking sessions were held at this year's convention, including memorable presentations by Joe Montana (sponsored by Matrix Fitness Systems), Marcus Buckingham (sponsored by Precor Incorporated), Seth Godin (sponsored by Technogym), Dara Torres (sponsored by SPRI Products, Inc.) and Augie and Lynne Nieto.

In ceremonies held at the convention, IHRSA honored the following individuals for their contributions to the industry: Karen Jashinsky, Founder and CEO of O2 Max Fitness (Julie Main Emerging Woman Leader Scholarship); David Patchell-Evans, founder and CEO of The GoodLife Clubs (Outstanding Community Service Award); SPRI Products Inc. (IHRSA Associate Member of the Year Award); Jeff Klinger and Chuck Runyon, founders of Anytime Fitness (John McCarthy Industry Visionary of the Year Award) and Herb Lipsman, President and CEO of the Health Club Company (Dale S. Dibble Distinguished Service Award).

reluctant to refer to clubs --there are just too many unknowns. Club memberships are usually sold as annual memberships, so it's hard for a physician to recommend such a financial outlay. Will their patient receive any instruction --any *good* instruction? How will they know if exercise has made a difference? They might not see the patient for another year. And, what if the patient fails to make the lifestyle change? They'll find it even more difficult to convince them to exercise in the future. P.R.E.P. can alleviate all of that! I just think that's really wonderful.

C.I. - What are the three greatest challenges of your job, and how do you cope with those challenges?

AH-Challenge #1: Keeping track of all programs at all clubs, not just P.R.E.P. but Personal Training, Fitness Services, Mind-body,

At IHRSA's Annual Meeting, the association's 2009-2010 Board of Directors was announced. David Patchell-Evans, founder and CEO of Goodlife Fitness Clubs was elected as IHRSA's Board Chairperson. Patchell-Evans will succeed Gene LaMott, effective July 1, 2009. Bill McBride, COO of Club One, Inc. and Kay Yuspeh, owner of Elite Fitness and Racquet Clubs, were elected by the membership to begin serving terms on IHRSA's Board of Directors also effective July 1, 2009.

For the fifth consecutive year, the event was held in conjunction with the 19th Annual Art & Science of Health Promotion Conference, presented by the American Journal of Health Promotion (AJHP). This partnership provides the unique opportunity for members of the health and fitness industry to network with like-minded professionals from a wide range of industries committed to health promotion.

2008 U.S. Health Club Revenues Total \$19.1 billion, up 3%

BOSTON, MA - March 31, 2009 - The International Health, Racquet & Sportsclub Association (IHRSA) announced today that industry revenues reached \$19.1 billion in 2008, an increase of three percent over 2007. IHRSA reports that the number of health clubs increased by one percent in 2008, totaling 30,022 facilities in the United States.

Additionally, the results of IHRSA's annual health club membership survey indicate

etc. and not dropping any balls. **Cope:** I'm blessed to work with very sharp GMs and Directors. If those people didn't do such a great job, I don't know how I'd make it. Beyond that, it's a never-ending to-do list. I'm on the phone a lot, and I'm on the road a lot, but it really comes down to working with great people.

Challenge #2: Growing the program at a distant site. I've learned that every site is different; with different demographics, different competitive environments and different brand recognition. P.R.E.P. isn't a plug-and-play kind of program, but I have learned what to look for to help the program grow in a new club, and with Eric's help, I feel pretty confident that we could put it almost anywhere successfully.

Cope: Lots of communication, even when we think there isn't

The health and fitness industry turned out in grand fashion in support of the 4th Annual BASH for Augie's Quest, which drew nearly 800 attendees, raising more than \$620,500 dollars in the fight to combat amyotrophic lateral sclerosis (ALS, or Lou Gehrig's disease). Augie's Quest recently reached its initial goal of raising \$18 million to fight ALS, with a new goal of \$36 million in 36 months announced at Augie and Lynne Nieto's IHRSA 2009 feature presentation.

The event was emceed by Access Hollywood's Nancy O'Dell, featuring two-time Grammy nominee Sarah Bareilles and comedian John Pinette. All proceeds benefit Augie's Quest, which in conjunction with the Muscular Dystrophy Association (MDA) is an aggressive, cure-driven effort, singularly focused on treatments and cures for ALS.

During the trade show, Star Trac and Spinning® joined

that health club memberships in the United States totaled 45.5 million in 2008. IHRSA reports that membership decreased from 2007 to 2008 by 2.4 percent, with a survey margin of error of 4% making the decrease in membership statistically insignificant (see research methods below for more information), although it is evident that membership growth has stalled.

Industry revenues increased by three percent in 2008 due, in part, to a nearly four percent increase in non-dues-related revenues. "This increase in non-dues-related services, i.e. lessons, classes, or personal training sessions, is indicative of members recognizing the value of their health club experience and paying additional dollars for a personal health-related return," said Katie Rollauer, IHRSA's Senior Manager

Challenge #3: Ensuring what I think is our best job for our best people. Over the last couple of years, we have encouraged what we call hybrid fitness professionals. These folks may work on the fitness floor, teach group exercise, run a P.R.E.P. session or two and work with some personal training or small group training clients, all in a day's work. That job is very rewarding but can be very demanding. Finding ways to keep those people engaged without making them feel overtaxed, or overtaxing their directors, is a constant challenge.

Cope: Staying in communication with the directors who manage these folks, as well as the people

forces to hold Chain Reaction, a fundraising event aimed to help combat childhood obesity. Proceeds benefited HealthCorps®, founded by cardiac surgeon and The Oprah Winfrey Show health expert, Dr. Mehmet Oz.

Audio and video recordings of select convention sessions are available for purchase online at www.ihrsastore.com or by contacting IHRSA at 800-228-4772 and 617-951-0055. Press photos are available by contacting IHRSA at pr@ihrsa.org.

Preparations are well underway for next year's 29th Annual IHRSA International Convention & Trade Show to be held March 10-13, 2010 in San Diego, California. With the theme "The future is you!" the annual event will bring fitness professionals and industry suppliers from the four corners of the world to meet and develop strategies to maximize opportunities to grow the fitness industry on a global basis.

Industry revenues increased by three percent in 2008 due, in part, to a nearly four percent increase in non-dues-related revenues. "This increase in non-dues-related services, i.e. lessons, classes, or personal training sessions, is indicative of members recognizing the value of their health club experience and paying additional dollars for a personal health-related return," said Katie Rollauer, IHRSA's Senior Manager

themselves, constantly evaluating new ways to schedule them, compensate them, etc, so it works for them and the club. Honestly, it's a great problem to have.

C.I. - What's it like working with Phil Wendel and ACAC?

AH - Working with Phil has been an amazing ride. He used to tease me about getting my Master's in Exercise Physiology when I should have gotten an MBA. My retort is still, "Why do I need an MBA when I have you?" He's been an amazing mentor to me over the years. He's given me many opportunities to grow and use my strengths. Since he didn't start in the fitness industry, I've benefited from his overall business experience. It's broad, more mainstream and very relevant. I feel very blessed to work for such a visionary and supportive owner.

...Amanda Harris

continued from page 20

wins the confidence of the patients for many of the same reasons. The entire program is based on helping participants avoid the five fears entirely. It addresses the "interested de-conditioned" (62% of the population), a market that many clubs don't bother to go after, at least not whole-heartedly. Clubs may "market" to these people, but their images are all wrong; buff, fit people, and that's not who they really are. P.R.E.P. is a real differentiator for clubs that want to cater to those who wouldn't ordinarily join a club.

I guess you can tell that I'm passionate about P.R.E.P. I've seen it help so many people over the years. I hear so many club owners and managers talk about wanting to bring more medical referrals in, but physicians are

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Analyze and Adjust

By: Karen Woodard-Chavez

As we progress into the 2nd quarter of the year, how did your facility leave the 1st quarter? For some of you, the results were right on track. Perhaps for others, the results were off the track --just a bit for some, and for others, waaaaayyyy off. Whether your facility finished the 1st quarter a bit off or substantially off from projections, it is time to analyze and adjust to get back on track to move forward for the remainder of the year. Assuming your original projections were realistic, consider the points below:

1. Does the staff need a "check-up from the neck up?" The wise and witty Zig Ziglar utilizes this statement as a corner stone of performance. Are we supporting the recession with our own beliefs? It is critical for the leaders in the organization to consistently monitor and correct the staff beliefs and emotions about what the organization *can* do. Is the staff more focused on and paralyzed by the business outlook rather than *being on the lookout for business*?

2. If the club has missed revenue goals in the 1st quarter, what is the strategy for catching up? Avoid the mistake of playing catch up only on the expense side. Instead, look at the shortfall and allocate small amounts over the next few months with a plan to be caught up by the end of the 2nd quarter. Additionally, it

is imperative for the managers of the revenue departments to be managing revenue on a daily basis, which means meeting with all revenue-producing staff on a *daily* basis to keep them on track, support them and train them to produce differently in different circumstances. When the organization is behind, everybody needs to contribute more in terms of energy, effort, focus and time. The more clarity management provides staff about this reality *early* in the game, the easier it will be to recover.

3. Do all revenue-producing departments operate in the reality that they exist for the Indispensable Three? Results, Retention and Revenue. Signs that this reality exists in your facility include the revenue-producing staff being on the floor consistently to meet members they do not yet know and talking about the club's services, having and following a promotional plan to grow revenue, analyzing and adjusting their own performance rather than waiting to be told what to do, and finally, understanding and behaving upon the belief that they are there to create revenue, not wait for it to be given to them.

4. Does the Membership Sales Staff have and consistently implement a 5-Point Lead Generation Plan (5PLGP) that supports the organization's marketing plan? The 5PLGP is designed to create a minimum of 50 more leads per sales person per month

when implemented correctly and consistently. The concept is that each rep has a monthly plan for each of the 5 areas of lead sources; referrals, alumni members, group sales, community outreach and current lead wrap-up that produces 10 leads from each source. If each rep produces 50 more leads, and 25 of those leads come into the club, we should be able to close between 40 and 60% of those leads. On the low side, that equals 10 more sales per rep per month. How is your 5PLGP producing for you? Get help if you need it.

5. If we are engaged in a little bit of catch up, are we also looking ahead to the summer months and the 3rd quarter? Avoid the mistake of being myopic and forgetting to look ahead. Clearly,

it is management's role to make sure everyone stays focused to accomplish the goals, and it is management's role to also create the vision and plan for the months to come once we are caught up. If your facility is fitness-only, is there a plan in place to make sure that business does not dip in the summer months? If your facility is a swim and tennis facility, is there a referral plan in place that can maximize the rush of business that will occur in May and June so that July and August stay consistently strong?

Analyze your organization with this short list of check points and make the appropriate adjustments to stay on track early in the game. When you affect shortcomings early rather than waiting, the



Karen Woodard-Chavez

shortcomings are smaller and easier to change successfully.

(Karen Woodard-Chavez can be contacted at 303-417-0653 or karen@karenwoodard.com)

...IHRSA Release

continued from page 22

of Research. Industry revenues are estimated annually by the association and take into account the total number of members, club total revenues and average membership and non-dues fees.

Nearly 22%, or over 10 million, of the 45.5 million health club members are new, having joined a health club for the first time. "The ability of fitness clubs to attract new members helps position the industry for success through the current challenging economic times," indicated Rollauer.

"Although growth in

the total number of facilities has slowed since 2006, the ability of the industry to continue to introduce new locations and facilities indicates there are markets increasing capacity and consumer demand focused on convenience and value," continued Rollauer. InfoUSA, Inc. provides data related to the total number of club units using the Industry's SIC code of 7991.

IHRSA reports that health club members regularly attended their clubs with an average 89 visits per year. Average attendance has remained steady over the past three years at 89-90 visits per member, which the

association believes bodes well for the future growth of the industry. "Consistent health club attendance is typically associated with good member retention," said Rollauer. "Regular attendance highlights the importance of health and fitness to the health club member, which means that members are willing to continue to invest in their health in spite of decreases in discretionary income." The attrition rate for consumers participating in this study was a low 24% indicating that 76% of health club members remained at their clubs.



...Eric Steed

continued from page 20

of resources can free marketing teams up to take a more personal, "guerilla" approach to the rest of their marketing. The Richmond team is going house-to-house dropping off a "baggy-t-shirt club" one pound weight through local neighborhoods. They never would have been able to do that if some of the work was not taken off their plate.

I think the real magic to this may be in open communication and a lot of face time. Since there is no perfect balance, I think there is the real need to constantly listen to the teams and be completely open in sharing the goals of the department.

Challenge #3: Changing strate-

gies to respond to the changes in the economy and market.

For years, ACAC has taken a long-term approach to the success of the clubs. This has been both a strength, and possibly, a weakness. With the changes in the economy and significant competition in our West Chester and Richmond markets, we have had to balance our long-held beliefs with the need to change.

One significant change we have made is to look for opportunities like P.R.E.P. to introduce new prospects to our club without as much financial risk. We have created many short-term membership opportunities which we would not have considered in the past. We have also stretched our partnerships with corporations and seniors. In West Chester, we recently created

a master's rate for those over 70, as well as lowered our age on present master's memberships from 60 to 55.

Finding the balance between long-term success and short-term success is more of a challenge for us these days. We are both fearful of straying too far from our roots and also holding on to them too tightly. We have taken a total team approach to this issue, with everyone involved.

C.I. - What's it like working with Phil Wendel and ACAC?

ES - I would not have stayed at ACAC this long if it were not for Phil. At the risk of sounding completely brainwashed, in every position, I have felt like I work for Phil, not ACAC or my boss.

One wonderful thing about Phil is that he is constantly

looking forward. This is the most entrepreneurial group of people I have ever been around, and he leads it. Every year, we get to try new things. When they do not work, there are no repercussions, and we do not get gun-shy about the next entrepreneurial undertaking. Eleven years of new challenges... There really is nothing more anyone could ask for from their job.

Phil is the smartest man in the room in almost every meeting, and yet, he speaks the least. It is part of his genius. He clearly has great self-confidence, but he never lets that self-confidence prevent him from hearing a different viewpoint. He once said, 'I appreciate that Eric will disagree with me, except when he is wrong, and then, it pisses me off' (that IS a direct

quote). That does not make me want to stop disagreeing; it just makes me want to be right! It also makes me want to listen very, very carefully to his thoughts.

Phil is a man who has built two world class companies, and yet, it is *never* about him. It is always about being the best. I figure that is pretty rare.

In the end, it is about trust. I trust that I will get to try new things. I trust that ACAC will always be looking to be the best. I trust that I can disagree without reprisal. I trust that Phil will always do what is right by his team. I trust that my ideas will get a fair shake. I trust Phil. I mean, I better trust Phil. The Steed family has two full-time incomes in ACAC family.

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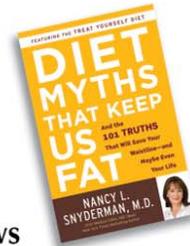
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...Financial Panel

continued from page 3

deep-pocketed financial firms weathering this storm? Answers to these questions and many more were the topic of Rick Caro's 13th Annual IHRSA Financial Panel, which took place at IHRSA 2009 in San Francisco on March 13th.

In a Pre-session Interview with IHRSA, Rick Caro had this to say about the 13th Annual IHRSA Financial Panel:

"I think the Financial Panel is special for the industry because I always invite four people with financial expertise who come from a very different perspective. I think if all of us in the industry just talk to ourselves, we would be doing just that and missing an independent perspective. So, what I think they bring, and each one comes slightly differently from the next, is an idea of why they see the industry as an attractive one. What are the key variables that make it so attractive; why, in some cases, they have invested in the industry; why someone who has worked on a bunch of different deals of big club groups over time still finds the industry to be attractive and where they see the opportunity on a big scale going forward? And, they have a lot of analogies to other industries which are interesting.

Additionally, they challenge us; what are our challenges in the industry that we are not so good at? Why are we still not doing a better job of retention? What are things that will, in effect, make an outside financial person more interested in the industry and more confident that this is an industry that can get better and do better? I think some of these will be thought-provoking for us."

To kick off the 13th Annual IHRSA Financial Panel, Rick Caro welcomed everyone and introduced each of the panelists. They were Peter Rottier, Vice President of Summit Partners; Ed Moss, Managing Director of Lincolnshire Management; Hugh Paisley, Director, Global Consumer Products and Retail Group, of UBS Investment Bank and Chris Gagnon, Managing Director of Global Leisure Capital Partners. After introducing each of the panelists, Caro presented his portion of the program with 20 important industry headlines from 2008.

2008 Headlines

1. U.S. Economy in Deep Recession and Not Clear How Steep the Spiral Is
2. Are We Recession Resilient?
 - Same Store Sales Flat
 - Net Memberships Flat
 - Non-Dues Revenue Flat
 - EBITDA Margins Decreasing but Still Attractive
3. U.S. Debt Markets Limited and Hard to Access
4. General Increase in Size of Club Boxes but Fewer New Builds
5. Flat Overall Membership Trend and Number of Clubs Are Flat
6. Cost of Construction Increasing and Capital Expenditures Still Necessary But With Cutbacks
7. No Real Consolidation in U.S. But More Interest by Independent Clubs to Exit
8. Increasing Number of Express Clubs/Franchised Clubs
9. Few Major Club Deals in U.S. and UK This Year Vs. Previous Two Years
10. Few New Equity Players Entered Industry
11. Small Regional Club Companies Growing
12. No Increase in U.S. Club Ownership by International Companies
13. No Real Investment by Strategic Partners from Analogous Industries
14. Fewer New Hospital-Based Wellness Centers
15. Diet Centers Still Not Working Alone Without an Exercise Component
16. Diet Pills Getting Governmental Permission but No Major Impact on Club
17. Still YMCA/Non-Profit Fair Competition Issues
18. No Major Positive Change in Government Influence, HMOs or Corporate/Insurance Industry Involvement
19. 2009 Looks To Be A More Unpredictable and Difficult Year for the Club Industry
20. No Likely IPO Stories In 2009.

Peter Rottier Summit Partners

Summit Partners has tracked the industry for over 20 years. We have studied numerous business models and seen the same positive, long-term trends as everyone else, but we do have some concerns. We closed our first investment in the industry in 2008 with Snap Fitness and are currently evaluating other opportunities in the industry,

including providers of products and services to clubs.

Private Equity and Venture Capital are often lumped together, but they do have some discerning traits:

Private Equity (PE) typically involves some form of liquidity for existing shareholders.

- Typically, more than 50% ownership
- Often times, PE funds use debt to buy the company

Key Investment Consideration: Cash Flow

Venture Capital (VC) is typically an investment where capital is put on the balance sheet to support future growth.

- Typically, less than 50% ownership
- Typically, companies are not yet profitable (sometimes pre-revenue)

Key Investment Consideration: Growth

Summit Partners is a growth equity firm that strives to bridge the gap between early stage venture capital and highly leveraged private equity investments. Summit invests in growth-oriented companies whose management teams have bootstrapped their way to profitability. Our investments can be "equity only" or equity in conjunction with modest debt. We are indifferent as to the amount of ownership we have in a company. Unlike many private equity investors, Summit frequently owns less than 50% of a company's stock.

In addition to providing capital, PE/VC firms can help with:

- Growth via geographic expansion
- Building a strong board of directors
- Recruiting and management team development
- Benchmarking performance and compensation practices
- Acquisitions, joint ventures, and partnerships
- Preparing for an IPO or merger.

Things an entrepreneur should consider when selecting a PE/VC investor are:

- Track record of the firm
- "Fit" with the team responsible



The 13th Annual IHRSA Financial Panel

(L to R) - Panel Moderator, Rick Caro, Management Vision, Inc.; Peter Rottier, Summit Partners; Ed Moss, Lincolnshire Management; Hugh Paisley, UBS Investment Bank and Chris Gagnon, Global Leisure Capital

for the investment (they'll be on your board)

- Valuation and use of proceeds.

Between 2005 and 2007, PE/VC firms invested a record amount. Easy access to debt fueled the leveraged buyout boom, and deals were done at valuations significantly higher than historical averages. The recession is now impacting portfolio company performance leading to debt covenant issues. Additionally, exit opportunities are limited, as there has only been one IPO in the past three months, debt recapitalizations are non-existent and strategies have their own issues (low stock prices, high cost of capital, management transition, etc.).

Investors in PE/VC funds are also feeling the impact. The "Denominator Effect" is impacting allocations to PE/VC, it is increasingly difficult to raise new PE/VC funds and there is a flight to quality. PE/VC firms with established brands and long track records of success are still able to attract the attention of investors. In aggregate, PE/VC activity will decrease in 2009, but pockets of opportunity will remain. During this time, it is important to keep a long-term investment horizon. Backing long-term trends will generate positive returns and buyer and seller valuation expectations need to be reset given the bubble that was created.

Do not be fooled, however, the Health and Fitness Club Industry has many favorable trends driving it now and in the future. Over one billion people across the world are overweight (30% of those clinically obese),

130 million adults in the U.S. are overweight (another 61 million are obese) and 2006 Healthcare spending in the U.S. reached \$2.1 Trillion (16% of GDP). That figure is expected to nearly double by 2016 to \$4.1 Trillion (20% of GDP). Preventative maintenance (exercise) is far cheaper than treatment, and governments, health care providers and private industry are incentivized to promote healthier living; fitness will always be a key part of this equation. Demographics also show a favorable environment for continued growth in the future. The fastest growing sector of the market is the baby-boomer group (age 55+), and membership for this group has tripled since 1990.

From a strategic standpoint, because of the relatively low penetration rate, there is a huge addressable market. Barriers to entry on the facility side are low, thus creating a "Land Grab" mentality. This means the real estate decision is a key to success. Additionally, differentiation (amenities, convenience, price, services, etc) will continue to be important to a firm's overall value proposition. Sustainable growth is capital intensive, so the availability of credit to support growth of new stores is a critical issue.

Finally, because fitness tends to be a resilient consumer discretionary, the industry has historically held up well in a soft economy. Despite multiple recessions, the past ten years in the industry has seen consistent growth, as membership penetration has grown to over 15% of the U.S. population (up from 7% in 1990), and the number of (See *Financial Panel Page 37*)

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2009 DISTINGUISHED SERVICE AWARDS

This year's recipients (pictured left to right) are John Guelzow, Scott Frasco, Michael Rojas, and John Salvitti.

FREE SEMINARS

Tuesday, August 18, 2009 - Daily Opening Session Feature Speakers

	Closing The Seven LOOPS for Health Club Success in Today's Challenging Times - Mike Chaet "ClubDoc" This session is created to answer the tough questions as to how to SURVIVE AND EVEN THRIVE in today's craziness. Economic upheaval, over development, and tight money are having their effect on everyone. This workshop will help you understand how you can move to the head of the pack instead of falling by the wayside.	
8:00 a.m. - 9:20 a.m.		
	RED'S Five Strategies for Personal and Professional Success - Red Lerille, Former Mr. Universe, Owner Red's Athletic Club, Lafayette, LA Red has been successful in all areas of his life both personally and professionally. He owns and operates one of the most successful clubs in the country. He is here to share with us his own personal SECRETS TO SUCCESS. You need to attend this one.	
9:30 a.m. - 10:20 a.m.		
Time	Marketing and Sales Track	Management Track
10:45 a.m. - 11:30 a.m.	Why Building Trust In Your Community Is The Key To A Great Future For Your Club - Norm Cates, First IHRSA President, 20-year club developer, owner/operator, and 16-year Publisher of Club Insider	Using Data to run your club profitably - Scott Burgess, VP of Operations, Fiserv
11:30 a.m. - 12:30 p.m.	Lunch Break	
12:30 p.m. - 1:15 p.m.	Shoestring Marketing - Mark Davis, Master Trainer and VP CMS International	Using Systems to build Accountability, - Leesa Kirkland - Owner CMS Fitness Center Baton Rouge, Louisiana
1:30 p.m. - 2:15 p.m.	The Five Secrets To Successful Healthclub Marketing - Jarrod Sarrocco	How to Analyze Your Financial Information - Bryan Dugger CPA Owner Ogden Athletic Club
2:00 p.m. - 6:00 p.m.	National Fitness Trade Show Exhibits	
7:00 p.m. - 9:00 p.m.	Lifetime Achievement Award Banquet	

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Time	Marketing and Sales Track	Profit Center Track
10:45 a.m. - 11:30 a.m.	Developing a dynamic Annual Marketing Plan - Mike Kincaid, Lebanon Sports Club	One on One Training Center - Huge bottom line profits - Tasso Kiriakes, Owner Bod Ez By Tasso, Ormand Beach FL
11:30 a.m. - 12:30 p.m.	Lunch Break	
12:30 p.m. - 1:15 p.m.	The Latest and Greatest in Marketing and Sales - Mike Chaet, Clubdoc	Tanning For Major Profits - Marty Sloan, Heartland Tanning Inc.
1:30 p.m. - 2:15 p.m.	Using a Holiday Fundraiser to Build a Steady Stream of New Members - Tony Auriema	Overcoming adversity- A gripping story of overcoming personal adversity and the lessons learned to make my club a success - Ross Suozzi, Cancer Survivor, Owner Peaks Athletic Club Fountain Hills AZ
2:00 p.m. - 6:00 p.m.	National Fitness Trade Show Exhibits	
7:00 p.m. - 9:00 p.m.	Ms. Fitness USA Finals	

Thursday, August 20, 2009 - Daily Opening Session Feature Speaker

	How to Pull Profits From Thin Air - Donna Krech, Founder Thin and Healthy - Total Solutions and Life Success	
8:00 a.m. - 9:20 a.m.		
Time	Marketing and Sales Track	Service and Retention Track
9:45 a.m. - 10:30 a.m.	Selling More Memberships Starting Tomorrow Using The Trust +Value = Price Matters Less Theory - Mike Deigan, Owner Temecula Athletic Club, Temecula, CA	Lawsuits and Liability: Steps club owner's can take to defend their club - Ken Reing, Sr. VP of Association Insurance Group
10:45 a.m. - 11:30 a.m.	Close Each and Every Sale - Mark Davis	The FISH Philosophy to Improve Retention - Steve Lundin
11:30 a.m. - 12:30 p.m.	Lunch Break	
12:30 p.m. - 1:15 p.m.	Creating a Culture of Self Accountability - Dennis Shepherd, Former Owner Carmel Valley Racquet Club	Creating a Service Culture - Charley Hauser, Owner Wilmington Athletic Club, Wilmington, NC
1:30 p.m. - 2:15 p.m.	Sell Sell Sell - Duane McGill, Owner Human Behavior Sales Academy	Leveraging Strategic Value Management for Success - Jeffrey Keller, General Manager, Eagle Point Recreation Complex
2:00 p.m. - 5:00 p.m.	National Fitness Trade Show Exhibits	
7:00 p.m. - 9:00 p.m.	Ms. Fitness World Finals	

Wednesday, August 19, 2009 - Daily Opening Session Feature Speakers

	Innovation Everyday In Every Way - Steve Lundin, Bestselling Author of FISH - Top Performer and CATS This refreshing approach based on the recently released book, CATS: The Nine Lives of Innovation, brings innovation out of the clouds and into the lives of everyday people trying to make improvements in their work and in their lives. After all, organizations don't innovate, people do.
8:00 a.m. - 9:20 a.m.	
	The Pictorial and Dialog History of Physical Fitness - Bill Pearl, Former Mr. Universe, Owner Bill Pearl Enterprises, Medford, OR Bill will be taking us back to the Greek and Spartan society of physical culture, then bringing us forward to today's health and fitness lifestyle. It's a fascinating presentation that should be seen by everyone in our industry. Don't miss this one.
9:30 a.m. - 10:20 a.m.	

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Knowing When to Fold

By: Will Phillips

We have all heard the phrase that rising tides lift all boats, thus a rising economy lifts all clubs. This lift enabled clubs that were poorly managed and had poor business models to succeed. The broad scale successes across the fitness industry invited competitors, large and small, along with many new franchisees with different concepts appealing to different segments of your market.

Now that the tide has fallen, it exposes the weakness in any business plan, or in the management of some clubs. By several informal polls, the rate at which clubs are folding has doubled in the last 12 months. I suspect that many of these are smaller Mom & Pop type clubs that have not paid a great deal of attention to managing their business until recently.

This article will give you some guidelines on when and how to fold your club. This can be important to you as an individual club owner since many businesses hang on much longer than they should without any hope of survival. When this happens, it not only drains and debilitates you as the owner; it gives you fewer resources, both psychological and financial, to help you fold in a responsible way. Whenever a club folds in an irresponsible way, like posting a notice on the door that says,

"We are out of business" and leaving it at that, creates a huge negative impact for the whole club industry.

Deciding to Fight It Out or Close?

My first goal is to help you decide whether to fight it out or close. If you decide to fight it out, this article will help you define what you must do. Secondly, if your decision is to close, my goal is for you to do it with honor and integrity, so you can live with yourself and do no harm to the health club industry. So, here are a series of questions to contemplate. The deepest insights will come when you sit down with another club owner, or two, and have them ask you these questions. Importantly, this questioning should not be done by your banker or your spouse or your employees. It should be done with someone who owns and operates his own business, ideally in the health club industry. All the other options have too much potential for significant side issues to color the discussion. Here are the questions:

1. Do you have serious competitive weaknesses? In other words, have new competitors shown up which have put a serious challenge to your business, either because of pricing, parking or programs? Generally, when a strong competitor moves in

across the street, they will take some members. In my experience with the members of Roundtables for Executives, healthy clubs lose between 3% and at most 10% to a new competitor. If you start losing more than 10% of your members, there is a serious flaw in your competitive advantage.

2. Do you have serious *execution failures*? *Execution failures* meaning that you are not executing well on what you know you should be doing. Things such as creating a strong marketing or sales program, or moving to the right site in your community because your market has shifted away from you or your parking has become poor.

3. Are you worn out? If you are super stressed because of the pressures of running the business, it is likely that you will not make the best decisions and that you will transfer your stress to staff, members, your spouse or children. If you are not sure if you are stressed out, simply ask your friends, your spouse and your children. They will tell you. Of course, it is possible to manage well under extremely high stress but only under the right conditions.

4. What are the conditions which enable you to handle stress well? Having confidence and faith in yourself and your business model and having a plan that you believe will enable you to succeed. If you go back and look at the first two questions about competition and execution, they will begin to give you an indication of where your club may be weak. They will also tell you how the business plan might have to be developed in order to succeed. Over and over again, I have seen individuals and businesses under the exact same amount of stress, but one succeeds and the other fails. The one that has a plan, and believes that it is a good plan, experiences a dramatic drop in stress and the success rate escalates significantly. Without a plan, it's all downhill.

5. Would you be happier in another line of work? Many of you may have entered the club business because you liked fitness and you liked to exercise.

Over the years of running a club, it became apparent that you would actually have to become a business person and learn about marketing, sales, programming, accounting, personnel and law. If you could not learn and grow to like doing all of these things, perhaps you built a complementary team of advisors or employees that helped you fill in the blank spots that you were not interested or skilled in. If you have not found happiness in doing this, it is probably a good time to get out of the business, regardless of other factors. The truth is you love fitness, not business.

6. Could you make enough money doing something else? Many of you might find a happier and sufficiently satisfactory financial life as a personal trainer, a group exercise leader, a salesman for an equipment vendor or as a mail man. When you are trying to manage the extreme complexities of a business in a hypercompetitive age, where health clubs (and all businesses) are experiencing extreme competition and challenges, you must have a passion for managing.

Do not hold on just because you have invested so much in your club. Your sweat equity is likely to be low, and *holding on* is one of the great traps of our human mind. It is what we feel after we put so much time, experience and money into a business that we cannot let it go, even when it slowly drags you to the bottom of the ocean. Let go of those things that are not working and not bringing you joy. Let them sink to the bottom so that you can rise above the water and survive.

7. Are you alone in fighting your bank, your staff, your members and your spouse? Do you have any allies? Who is your coach? Who is on your side? Who is encouraging you and asking you the tough questions? One of the failures that almost invariably occurs for every individual and manager and business leader is the key barriers that prevent you from moving forward occur because of something inside of you. Some assumption you have made, or some belief you hold that prevents you from figuring out how to open the door and



Will Phillips

move forward, is holding you back. As long as you believe the barriers are external, you will give away responsibility and lose control over them.

The most powerful business owners take responsibility for the barrier. They look inside themselves and see if they can discover it. This process is extremely difficult to do on your own. You need to have somebody else involved. Ideally, two or three of you are operating as a mastermind group (If you will look at the **rexroundtables.com** website under *management briefings*, you will find an article on how you can begin your own mastermind group).

8. Is the purpose of your business still exciting and energizing you? Do you still wake up in the morning looking forward to the impact your club is producing for your member, your staff and your community? If not, it is probably time to get out because you do not have the fire in the belly that will enable your business to succeed. Some people say, "If I made enough money, I would have fire in my belly." Unfortunately, the universe does not work that way. You have got to have the fire in the belly... the passion... in order to make the money.

9. Is your business suffering from a lack of cash? This is very different from a lack of profitability. In other words, if you are not managing your cash flow in and cash flow out, you can end up with an imbalance with salaries and bills due, but you have no money in the bank. The money is coming in but just not (See Will Phillips Page 29)

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

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

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- ★ Reduce the need to market using expensive media...saving you thousands!
- ★ Have prospects pouring through your doors...
- ★ Increase your market penetration!
- ★ Dramatically boost your bottom line, and...
- ★ Make you a hero in your community!

Fitness Fundraisers is a unique marketing program that drives valuable traffic to your door while at the same time, allowing you to directly support many charitable fundraising efforts in your community. The key to this unique opportunity is **SIMPLICITY!** At Fitness Fundraisers, we have made it incredibly easy for both fitness facilities and fundraising organizations, to participate in this fantastic "win-win" program. At Fitness Fundraisers we provide both participating fitness facilities and fundraising organizations with a complete turn-key system...everything that you will need to make this program a huge success.

And there's MORE...

In addition to providing both the participating Fitness Facilities AND the Fundraising organizations with an array of professional, full color printed materials, marketing pieces, and a wide range of web plus live support, we also provide our participating Fitness Facilities with...

- ★ A comprehensive 4 Step Sales Training and Implementation program
- ★ Front desk and new member service coaching.
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- ★ Access to a web resource center for 24/7 training and marketing materials, PLUS...
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If you are a community minded, well run co-ed Fitness Facility, can you afford NOT to participate in the Fitness Fundraisers program? To learn more and be THE Fitness Facility in YOUR community to participate in this incredible marketing program contact us at:

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Or e-mail us at

info@fitnessfundraisers.com

www.fitnessfundraisers.com



...Will Phillips

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soon enough. In this case, better cash flow management is at the root of the problem.

10. Do you have a lack of profitability? If your business is not profiting, it is very different than not having enough cash. No matter how long you work at it, there will never be enough cash if you have an unprofitable business. Learning to be profitable is essentially based on the fundamental concept of business, which is "find a need and fill it." Of course, the price must be set so that the customer sees it as a great value. If this is not the case, you can't make a profit.

Most clubs tend to plateau in their net membership numbers two to three years after opening. Clubs at this stage require a great deal of energy devoted to selling new memberships simply to stay in the same place with their net membership numbers. Now that we have a recession in place, your selling process may be inadequate to keep the bucket full. In that case, you may need to invest, yes, *invest now* and *spend money and time in learning how*

to sell better.

If membership sales are going well enough, you may need to explore how to add non-dues revenue to your income. Although most clubs have noticed some decline in non-dues revenue over the last six months, such as personal training, your club may be able to discover other forms of non-dues revenue that would be of extremely high value for your market. For instance, many families have been cutting back on entertainment due to its cost. You might explore various ways that you could create more entertainment at your club that would be sufficiently low cost and high value that your members and prospects would love. One club has a bubbled pool, and old movies are projected on the bubble every Friday and Saturday night. Parents are invited to picnic around the pool while kids swim: \$5.00 at the door for a family. I am not saying that this is the idea that you should follow, but hopefully, it gives you an opening to think of new ways to meet your market's needs now. And these needs have shifted in the last six months.

Cost reduction. If cash or profitability is a problem, and you have not engaged in serious

cost reduction efforts over the last 4 to 12 months, I guarantee you could reduce cost, 10% to 15%, even 20% or 25% without significantly impacting the value of your member's club usage experience. I say this with great confidence because on average, each club owner in the REX Roundtables over the last two to three years have reported an average of \$100,000 of cost reductions per year without any reduction in value to their members. This is not the time to further explore this, but if you would like a workbook on managing cost reduction, please email me at costreductions@rexroundtables.com, and I will send you the workbook.

Your responses to the above questions will give you an idea of whether to fold your business or not. Almost everybody now knows that if a tornado warning occurs in your area it is good to go into your basement rather than to wait until the tornado hits. This is kind of like waiting for the tsunami to hit and then deciding that you will drive inland if the water gets too high. Most of the people who delayed are dead.

When, and if, you

decide to close your club, make a list of all the people who will be impacted, such as your bank, landlord, vendors, members, staff and their families. Then, explore how you will address each one of these stakeholders in a responsible way that would make you, your family and our industry proud of what you have done. This means looking in your area for other clubs who might be willing to accept your members. In most cases, you can find a club who will honor your memberships for at least a period of three to six months, and then, if the members so choose, they can join the new club. In the best of all worlds, you might actually be able to sell your memberships to another club.

Secondly, talk with your creditors and tell them what your situation is. Ask for their advice. Listen. In all cases, be proactive. Do not post a "CLOSED" sign on your door and then leave town. This is not good for you or anyone else who is impacted. You have to look quite carefully at what the impact will be on you personally if you have signed on loans personally. All of this is painful, but probably less painful and harmful than not folding, if

that is where your responses to the questions above led. This pain is just like a workout; it is accepting the pain at the end which enables the best result.

This is a good time for all clubs who are not going to fold to start getting your personal guarantees off any loans. There is no case that I know off where this cannot be done, although it may take some time and effort to accomplish, especially in 2009. But, get it done in the next few years.

Finally, when you have done all this homework, now it is time to go public. Announce the news to your family and staff first. Then, preferably in the next hour, announce it to your members. Finally, set up a time with your local TV stations and/or newspaper to give a proactive announcement about the closing of the club and what will happen to the members and staff. And, be sure to thank the community for supporting you for the long number of years that your club has been in business.

(Will Phillips is the Founder and CEO of REX Roundtables and may be reached at: Will@REXRountables.com)

How to Double Your Dues in a Down Economy

By: Donna Krech

Publisher's Note: I asked Donna to "Tell-It-Like-It-Is" in this article, as I believe Donna's representations to you here about the potential to double your dues income in your club are the truth, though it is hard to believe. I told Donna to go ahead and title her article "How to Double Your Dues in a Down Economy" so you will be sure to read it carefully and you will notice **Thin&Healthy's Ad** on the **Opposite Page**. I trust Donna to tell the truth about their achievements and how they can do the same thing for your club.

"So," you wonder to yourself, "What's this one all about? *How to Double My Dues???*" Well, my friend, I'm glad you're wondering, for curiosity is the beginning of change. And, change is how we get from where we are to where we want to be!

It's simple really. There are multiple ways to double your dues, blow the lid off of your EFT cap and increase income and profit from your existing member base, even during a downtime. My goal in this article is simply to share several with you. The choice of which one is the right one for you will be the only decision you'll need to make.

Let me share two crucial facts here. You may know me in this industry as a speaker and/or vendor/supplier. What you may not know, however, is that I am

a club owner just like you. While others who teach say there isn't time to own a facility, my belief is a bit different. I can't imagine teaching something that I don't do every single day, so I am in the trenches, too. My sleeves are rolled up just like yours, and what I'm about to share is not only done in our club, but I teach others to do so as well.

The second fact is this. Watch your ROI on the income stream options you add to your club. An option may not be the cheapest, but its ROI may be through the roof! Another may offer a very low investment to start up and may bring zero ROI. And, there are those that are very inexpensive to provide and come with fantastic ROI's. Investigate the ROI.

Let me encourage you... don't buy the lie in this economy, buy the truth. Remember, we are in one of the six main industries projected for growth during these times! Given that there are many other owners just like you thriving in this economy, doesn't it at least stand to reason there is a way (actually, there are many ways) to be blessed in this recession? Don't answer just yet. Let me tell you about some of those ways first. They're bullet proof. The economy doesn't affect them, and your competition is most likely not doing them.

One of the best, easiest and fastest ways to UP your profits during a down economy is to go back to the basics and

use Marketing 101. That means you prioritize your marketing in order of your most responsive customers. In other words:

1. You market first to your existing customers
2. You market second to people who have been your customers
3. You market third to people who have thought about being your customer (showed interest but did not convert for one reason or another)
4. You market last to brand new people (who have never shown interest).

I do understand there are new markets to tap into, and I also know we can add amazing revenue and never leave our building by just plugging in timely, intelligent solutions. I know because I own a club just like you do, and I've seen numerous returns on investment when I market a new program, product or service to existing customers. As a matter of fact, with some of them, I've seen up to ONE HUNDRED TIMES my money back when I've done so! Yep, that said 100X's.

Okay, let's review several other ways to double your dues. Ancillary programs are simply programs created for specific areas of need. People are stressed right now. Seventy thousand Baby Boomers are turning 50 every day, and they want their body to look good. Medicine as we know it is about to change, so health is more important than ever. Offer several programs a year for a specific area of need (with a full internal campaign to promote them), and watch every member bring you \$600 more per year. An anti-aging program, stress reduction program or better back program would be just a few examples.

Want a cool marketing tool to use with this for nearly no cost at all? Record audio to share for free on what you're teaching and provide an offer when the audio brings them in or when they opt in on your web site.

Affiliate relationships provide another way to produce income during downtimes. These occur when you join forces with another who complements what you do, but you don't need space, staff or training to make money with it because it's typically

an online complement to what you're doing in your brick and mortar business. You can find numerous things that complement you online: Weight Loss, Nutritional Products, Beauty Care, etc. Be sure to find one that offers all the marketing done for you, and you've found a winner. The key to an awesome affiliate relationship is that it costs you no effort to run it, and you make a percentage of what it generates. Check out www.thinclubs.com for examples.

Life or Health Coaching is about to become hot, hot, hot! Put in easy terms, coaching takes the client to the next level of their life! Fitness members are PERFECT buyers for this. Give a survey offering choices for what members might want to be coached and receive help on. Next, call them to tell them about a free class on coaching. Sign them up for it and host it. During the class, demonstrate coaching and watch your members enroll! We see \$100,000 per year added due to coaching, and that's without ANY advertising of any kind! We offer certifications provided by an internationally known master coach, so if you're interested email aellerbrock@thinandhealthy.com, and we'll answer your questions and send you free audio on getting your own program going.

Another method to consider is adding a weight-loss component to your fitness business. Now, some will say I am biased when it comes to this topic, and to them I'll answer, "You better believe it baby!" I mean, seriously, how could I not be totally excited about a business that has indelibly changed the lives and fortunes of countless people (including yours truly) for the better?

Weight Loss is still the number one complement to this business. We can double dues by merely offering the new program to our existing database, then offer it to the point-of-sale purchaser as a two-choice price presentation and even begin to bring prospects into your facility from the community just for weight loss. You'll have folks in who've never been there before!

Many in our industry have been exploring and attempting to grasp this option



Donna Krech

for some time now. Here's the simple version of why everyone who owns a club should give this option a long hard look:

- The universe of people interested, eager and willing to trade dollars for a weight-loss program is over 4 TIMES larger than the market for fitness (add it to your facility for a *potential 400% increase in business!*).
- They'll invest more and will get far better results.
- You'll be a solution in your community even more than as just a club.
- They convert better. While typical walk-ins for a club convert at a rate of about 3 out of every 10, they get up to a 90% conversion --that's 9 out of 10.
- They stay members longer so retention is high.
- They'll invest more and will get far better results.
- Wellness programs come easier because you offer RESULTS not just a great club.
- Fitness may be a "want" but for this market, we are talking about "wants and needs" (in some cases, we are talking about life and death). There is NOTHING like having someone tell you that you've changed their life. Imagine what it's like when they tell you you've saved it!
- And, oh yeah, they'll invest more and get far better results! Yes, this is worth repeating!

And, it's EASY to do. If you have a scale, two chairs and a desk and a room for a filing, you can make money the first day with weight loss. Yep, I said the FIRST DAY! After introducing it to your database, there are nine more avenues for new members
(See Donna Krech Page 32)

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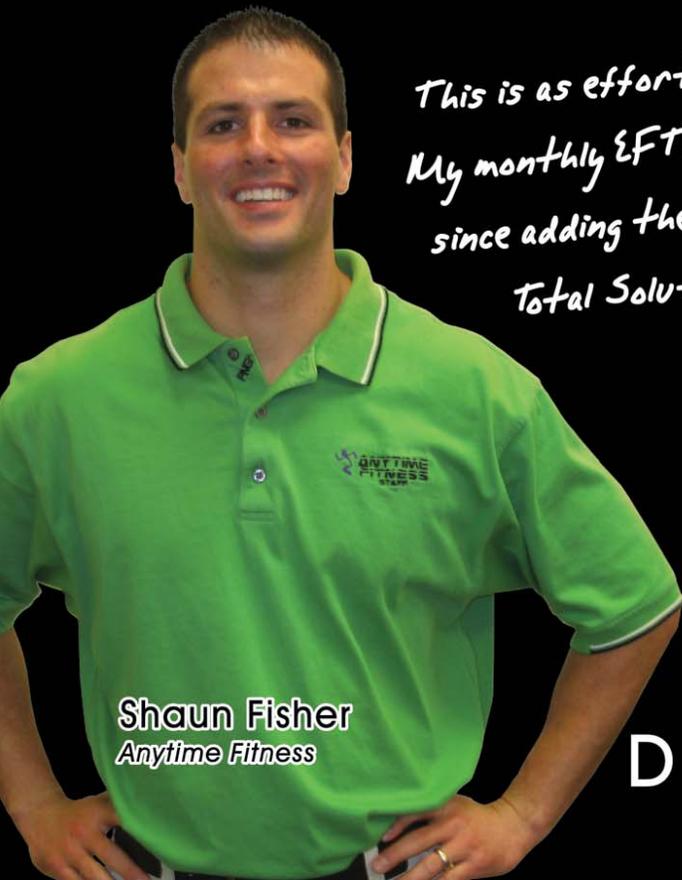
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The Paradox of Wellness

By: Shawn Vint

One would think that with the mountain of evidence clearly showing the benefits of a consistent exercise regimen and good nutrition, fitness clubs wouldn't have to 'sell' their product. Ironically, maybe frustratingly, despite that knowledge, society as a whole has not yet embraced the notion as we had hoped. Facilities, filled with the latest equipment and the newest programs, are facing declining enrollment. You and your team redouble the effort by attending trade shows and workshops and

bringing in club experts in one form or another, but the sales numbers at the end of the month don't testify to those efforts.

What are the reasons for this? The economy is certainly a major contributor, but the reason is cultural as well as economic. The problem is not new, and too many clubs are frantically chopping prices and introducing promotional sales in an effort to draw new members, especially as economic conditions worsen. The unfortunate truth of that effort is always the same; diminishing returns along with diminishing credibility, not to mention declining value of their product

due to continuous discounting. Individuals won't buy what they don't want, however, regardless of the price.

This is what may best be described as the "Paradox of Wellness." We recognize that the community we serve continues to make poor wellness choices, and they recognize that they are traveling a road towards bad health. That formula would suggest that, in good times at least, fitness clubs would be full. The paradox is that for the last twenty years, the more overweight and obese society has become, the more difficult it has been to bring about a cultural shift back towards wellness.

This paradox can't be solved with better equipment, better wellness programs or better internal systems. It can't be solved by attending another workshop on

...Donna Krech

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with just this one "double your dues" option.

I really could go on as the list is exhaustive, but I'll illustrate its power with an actual example.

Roy Leedy took over a club that had been losing money for 2 1/2 years. It had done \$230,000 in total revenue the year prior, and as you can imagine, he needed to do something quick.

He decided to implement a weight-loss program (He chose Thin & Healthy. Thank you Roy!) and proceeded to generate \$57,000 within the first month, \$127,000 the second month and finished the year with \$974,000! That works out to about a 400% increase in business!

Product sales occur when systems are in place to sell them. If there is no system, the product sits on the shelf. With a system, however, you'll sell \$65-\$100 per month per member. By the way, the product should offer a double mark up so you see a 100% ROI. If it doesn't, keep shopping.

If you are interested in Roy's complete story and multiple other sure-fire ways to make more money in minimum time, you can hear an exclusive call I did for IHRSA by going to www.donnakrech.com/ihrsacall.html.



Shawn Vint of Greenmaple Wellness

acquiring better equipment, better wellness programs and better systems. Those actions may help you or the club you operate, but it does not solve the underlying problem; the *Industry Message*.

"These times, they are a

changin," sang Bob Dylan, and today, the cultural shift away from visible affluence and toward more wholesome pursuits that place emphasis on family wellness, simpler pleasures and safety, is

(See Shawn Vint Page 33)

JLR Associates Announces the placement of

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Families and communities are looking for hope. The circumstances that they face...that we all face....may require great change.

Hope, and Change. This is not a new message. It has been the message of health clubs for generations, re-enforced by medical and sport science along with the testimonials of countless health club members over those years.

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

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

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

Shawn and Lynette Vint

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www.gogreenmaple.com

Toll Free (US and Can): 1-888-355-1055 shawn@gogreenmaple.com



...Shawn Vint

continued from page 32

providing our industry a unique opportunity. It is a generational opportunity, and I am hopeful that we will take advantage of it, but I am far from certain that we will.

There are many reasons for this. Chief among them is too many club owners are looking for a 'quick-fix' over a firm solution. They are putting a 'quick-buck' ahead of the kind of professional development required to run a profitable fitness facility. Those may be harsh words, but they are not as harsh as the ongoing judgment of the marketplace on those that continue to run their business as they have been.

The opportunity for our industry exists right now, at this moment of cultural change, as individuals and families shun accumulated 'stuff' and begin to search for a place where they will again find family wellness, simpler pleasures and safety from a stormy world. The ability to bring about that cultural shift and direct the discussion towards the values our industry has long espoused will define the fitness industry for at least a generation. If the message of the industry continues to be the 'quick-fix' and the 'quick-buck', like those of other industries, we will lose this generation.

If done right, the message of better wellness and simpler pleasures is an incredibly winning message. Sending that message consistently will win the battle of our time and will help win the cultural battle for better wellness that you decided to fight when you became part of this industry.

Our industry has the knowledge that fitness and wellness will spill over into every other area of your life in a tremendously positive fashion. We need to deliver that message; differently, better and more powerfully than ever, as we compete with every other wellness industry for the hearts and minds of those within our communities. You have what it takes to win this fight, so renew the battle.

(Shawn and Lynette Vint publish the individually club-customized Greenmaple Wellness E-Zine. Combined with the library of wellness messages made available to club sales and marketing teams, theirs is a powerful, cost effective service. Find them at www.gogreenmaple.com.)

Health and Fitness Facility Certification... What's the Real Story?

Stephen Tharrett, CEO, Russian Fitness Group and President, Club Industry Consulting

By: Stephen Tharrett

Over the past several months, health and fitness club operators have been introduced to a new and exciting initiative that is being facilitated by NSF International (NSF). This initiative involves the development of standards --collectively, a process that has been designed to lead to a voluntary health and fitness facility certification process. Regrettably, most of the information concerning this NSF-facilitated effort that is currently being disseminated to the industry has come from a single source, IHRSA. As a result of this unilateral attempt to frame information about this initiative, the message that has been communicated to the industry, as a whole, concerning this undertaking has often been both lacking and misleading. As someone who is integrally involved in the initiative, I am writing this article to provide owners and operators of health and fitness facilities, irrespective of their affiliation or operating structure, with an unbridged overview of the effort to create a voluntary certification process for health/fitness facilities.

Objectives of Voluntary Health and Fitness Facility Certification

When the industry-wide discussion of developing and offering health and fitness clubs an unbiased and credible voluntary certification program was initiated, the parties involved identified the following primary desired objectives or outcomes of the process:

1. To provide a tool that would enhance industry credibility in the eyes of consumers. The underlying concept was that if and when consumers were made aware of the fact that a facility received a "seal of approval" from a globally-recognized certification authority (with no "vested interest in the business"), it would help alleviate at least some of the public's negative perceptions about health and

fitness club facilities.

2. To provide a tool that would show healthcare professionals that health and fitness club operators had taken purposeful action to help ensure that a safe environment existed within their facilities. In turn, such an environment would help facilitate the effective delivery of physical activity programs to healthy and special populations, including potential members with chronic, but controlled, disease.

3. To provide a tool that would demonstrate to the insurance industry (e.g., property, liability, professional liability, worker's compensation, health, etc.) that the health and fitness facility industry was responsibly committed to both practicing sound risk management and delivering a lower-risk business model.

Why NSF?

In the early spring of 2007, the American College of Sports Medicine (ACSM) and NSF discussed the possibility of NSF facilitating the development of a voluntary health and fitness facility certification process. Working alongside Jim Whitehead, Executive Director of ACSM, I was involved (as a co-editor of the various editions of *ACSM's Health and Fitness Facilities Standards and Guidelines*) in the initial discussions with NSF. The rationale for approaching NSF was both simple and straightforward. In order for a certification process to be established and implemented that all segments of the health/fitness facility industry (e.g., commercial clubs, medical-based facilities, community and non-profit facilities, government facilities, corporate facilities, etc.) could embrace, it had to be led and facilitated by a globally-recognized authority with no vested interest in the health and fitness industry that was already recognized for its work in establishing standards and certification procedures in related or similar types of industries. Furthermore it was essential that

organizations such as ACSM, the Medical Fitness Association (MFA), IHRSA and other groups that had already developed related industry-based standards behind this process. Otherwise, the perceived vested interest of one or more of these groups could diminish the industry's view of the impartiality of the final outcome. With over 40 years of experience with developing standards and various certification programs, NSF is such an organization. The NSF standards development process is accredited by the American National Standards Institute (ANSI), a recognized global authority in standards development, renowned for its commitment to openness and due process.

Differentiation of Voluntary NSF Standards

1. Voluntary certification refers to the fact that any health and fitness facility can pursue certification. To achieve certification, a facility would need to meet a certain level of compliance with the NSF health and fitness facility standards. Certification is intended to be a process that serves a segment of facilities whose interests lie in providing an experience for consumers that is consistent with the proposed NSF standards.

2. Voluntary certification is intended to identify facilities that seek to be recognized for their resolute commitment to develop and maintain a safe environment for every individual who participates in the various physical activity programs that are offered by these facilities.

3. Voluntary certification, and the standards that serve as its foundation, are not intended to represent the only set of standards for health and fitness facilities. ACSM, MFA, IHRSA and several other industry-based organizations will continue to promote their standards as an appropriate alternative, and in the case of MFA, as the basis of its own facility certification process.

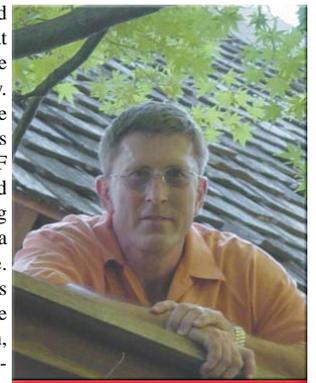
4. The NSF standards would carry weight with regard to what is an acceptable standard of care in the health and fitness industry. On the other hand, because other organizations' standards will continue to exist, the NSF standards could not be considered the final criteria for assessing a facility's compliance with a singular legal standard of care. As the NSF certification process evolves, however, and more facilities earn NSF accreditation, the NSF standards could eventually evolve to provide the basis for what would be considered an "industry standard of care."

5. From a legal perspective, attorneys for both plaintiffs and defendants will undoubtedly refer to the NSF standards, as well as to other existing standards, to establish whether a reasonable standard of care was followed. While potentially having a strong influence in such a situation, the NSF standards will not be the only influence in this area.

The Story Behind it All

After the initial discussions with NSF, I arranged a meeting with IHRSA in May of 2007 in Washington, D.C. Attending the meeting were Jim Whitehead of ACSM; a representative of NSF; myself, as co-editor of the *ACSM Standards*; a former IHRSA President; Joe Moore, CEO of IHRSA; and Michael Levy, IHRSA Board Chair at the time. The purpose of the meeting was to get IHRSA involved at the front end of the process to make sure they understood the underlying concept of the proposed initiative. More importantly, one of the key objectives of the meeting was to help guarantee interests of IHRSA's membership were properly represented during the process. The focus of this meeting was to facilitate an understanding of both the process and what needed to occur to make it acceptable to all impacted parties.

In the late spring of 2007, the process to identify an initial stakeholder group to work with NSF was established. Working



Stephen Tharrett

together with NSF and ACSM, over 20 professionals were invited to serve on the initial stakeholder group. These professionals represented a wide variety of health and fitness facility-related interests, including commercial clubs, YMCA's, JCC's, universities, parks and recreation, insurance, medical, corporate fitness, government, healthcare, hospital fitness, etc. This initial stakeholder group included Tom Richards of the IHRSA staff and Mike Motta, who at the time was the head of the IHRSA Standards Committee.

The group first met in November of 2007 for a two-day working session. The attendees' charge was to begin creating a set of voluntary industry standards that would serve as the basis for the health and fitness facility certification process. The stakeholder group was subsequently separated into task groups, whose members began delving into existing industry-based standards to start the process of developing what would hopefully become a singular set of standards. Concurrently, NSF requested that the stakeholder group help recruit potential candidates for the consensus voting body (a NSF Joint Committee). I, along with Dr. Jim Peterson, co-editor of *ACSM's Standards*, took the lead in recruiting professionals to serve on the Joint Committee. According to NSF International's Standards Maintenance and Development Policies, each application was reviewed to help (See *NSF Standards Page 35*)

Do You Lead a Tribe?

By: Jeffrey Keller, M.S., M.B.A.

Last month's article was meant to inspire leadership, and hopefully it did. But, for all the inspiration that was gleaned from that article, it won't make a dent in the armor of employee apathy without a framework to use it in. Hopefully, this month's article will help provide that framework.

Tribal Leadership

In January 2008, three authors --Dave Logan, John King and Halee Fischer-Wright-- from the management consulting firm CultureSync, published a book titled, **Tribal Leadership**. The book described the evolution of an altruistic leader, the organizations they lead and provided a convincing argument for everyone to strive to be this way. The book provides real life examples of incredible success stories in business in which organizations, both big and small, have succeeded because they believed there was something bigger to beat than just the competition. The authors describe five major levels of development: Life Sucks, My Life Sucks, I'm Great and You're Not, We're Great, and Life is Great. As comical as these levels of development may sound, they are indeed the progression employees and businesses go through on their paths to success.

...NSF Standards

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insure that the ultimate NSF voting body had an appropriate balance of the various interest groups and that only one professional from a particular organization would serve on the Joint Committee at one time. During the recruitment process, I personally invited several former IHRSA board members, including Frank Napolitano, Geoff Dyer and others, to apply. I strongly believed that their experience and position in the industry would best serve the interests of the commercial club segment.

The Joint Committee was established in early 2008. Once the committee was formed, its members were formerly charged with the process of

Take some time to truly think about yourself, your employees and your club, and I'm sure you will agree with these levels.

Below are descriptions of each of the levels as they pertain to the health club industry. Take a look and see if you can identify which level your club is at. You have to know where you are before you can figure out what to do to move forward.

Level 1: Life Sucks

This level is hallmark of prisons, and I do mean prisons. At this level, gangs, or in the club industry's case, *cliques*, develop as everyone is struggling to survive. If you're not a part of a clique, you're not long for the club, which isn't such a bad thing because the club won't be in business for very long. Clubs at this level have employees who pay very little or no attention to members because in their eyes, "life sucks," and if they get fired, so what? They didn't lose a good job or fail anyone because "life sucks." It "sucks" for them. It "sucks" for the members. It "sucks" for everyone. If your club is hemorrhaging members to the tune of a 20-30 net member loss month after month, then your club is probably at Level 1.

Level 2: My Life Sucks

Clubs at this level are

developing the standards that would serve as the basis for a certification process. It should be noted that the Joint Committee has a Chair and a Vice-Chair to help coordinate the efforts of the committee and work with NSF. Dr. Walt Thompson of Georgia State University serves as the Chairperson, and I serve as Vice-Chair.

Over the past year, the Joint Committee has reviewed several reiterations of the standards. Once the Task Groups have completed their work, a ballot will be submitted to the Joint Committee for consideration. Interestingly, this action is only the first step in a thorough process that requires the standards to be available for all directly and materially affected parties/persons for

also struggling to survive, but they are doing better than those at Level 1. Employees working for a club at Level 2 are generally a part of one giant pity-party. They think everyone else, including their co-workers, have great lives, but they mope around thinking "my life sucks." Generally speaking, clubs at Level 2 are gradually and steadily losing members. What member would want to be around club employees who constantly exude "my life sucks?" If you're regularly overhearing conversations between employees about whose life "sucks" more, then your club is probably at Level 2.

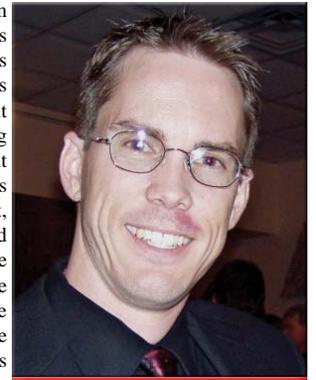
Level 3: I'm Great, and You're Not

Clubs at this level are doing alright. They have successful Sales Associates and well-respected Fitness Professionals, but this is a cannibalistic environment for a business to be in. The employees each believe that they alone are the reason the club is succeeding, hence the "I'm great and you're not." They give no credit to their counterparts' contributions to the club. Have you ever heard one of your Sales Associates say, in one way or another, "Well, if I didn't sell memberships as well as I do, no one would be here to train, buy supplements or attend group exercise classes." What

they're really saying is, "I'm great and I'm the reason this club is succeeding." Employees in a club at Level 3 have tons of inner drive to achieve, but ultimately, the club isn't going to truly achieve everything it can because the environment is eat or be eaten. At some point, even the best performers slip and head into a slump, and if they are part of a Level 3 club, they are yesterday's news. If you have staff meetings and employees are constantly turning conversations into a parade of what "I" did this week, then your club is probably at Level 3.

Level 4: We're Great

Clubs at this level are never worried about who's moving in down the block. They believe that "they" are great and nothing is going to change that. Their aim is to be something bigger than "the other gym." Clubs at Level 4 have a sense of pride about what they're doing, not because they fear losing members, but because they fear not achieving a noble cause. These clubs are rallied around a goal bigger than the bottom line. They focus on beating obesity, whether childhood or adult. They set their sights on decreasing cancer, diabetes or heart disease. They have an objective that keeps them inspired and generating revenue no matter what the



Jeffrey Keller, M.S., M.B.A.

economy is doing. If you hear "we" a lot during conversations with employees OR department managers are constantly praising ALL of their staff, your club may be at Level 4, but don't be lulled into thinking you'll stay there. Jumping from Level 3 to Level 4 is a major event, but falling back from Level 4 to Level 3 can happen in a blink of an eye.

Level 5: Life Is Great

Clubs at Level 5 believe nothing is impossible. The problem is Level 5 is thought to be unsustainable. Something always seems to get in the way of maintaining Level 5 status. Not that falling back to Level 4 is a major catastrophe, but Level 5 is the utopia everyone dreams of, and at some point, there comes (See Jeffrey Keller Page 36)

is to have an approved set of standards by January 2010 and a certification process sometime thereafter.

In Conclusion

The NSF Voluntary Health and Fitness Facility Certification is not intended to be an instrument forcing operators to adhere to a specific business model regarding health and safety. It is also not intended to establish a legal duty of care by which every health and fitness operator must abide. NSF certification is simply a process that will allow facility operators, who desire to be seen as more credible in the eyes of consumers, healthcare professionals and insurers, to have a viable means of achieving their objective. Frankly, as more health and fitness

facilities achieve certification, the more credibility our industry will gain. If everything goes as intended, the end result of the process will be a mainstream industry that is valued and desired by the majority of the public for its role in enhancing the health and wellbeing of all citizens. Hopefully, this article has helped address some of the outstanding issues industry professionals have about the certification process. If you would like to learn more about how to participate in the process or submit comments during the public comment period for the standards, please email me at steve@clubindustryconsulting.com. I will either provide you with the information you requested, or put you in contact with NSF, who will provide you with the opportunity to contribute.

...Jeffrey Keller

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a stumbling block. Employees of clubs at Level 5 believe everyone, including a competitor, is great. They believe they can beat the "noble cause" they set their sights on in Level 4 any time they want because they, in fact, *are* beating that "noble cause." In the club industry, you have to look no further for a Level 5 organization than Augie's Quest. Augie and Lynne Nieto have assembled a group of people and organizations that believe they can win, not as individuals, but as group in coordination with the rest of the World. It is with a belief like this that magic happens, both in business and in life.

What's Your Tribal Level?

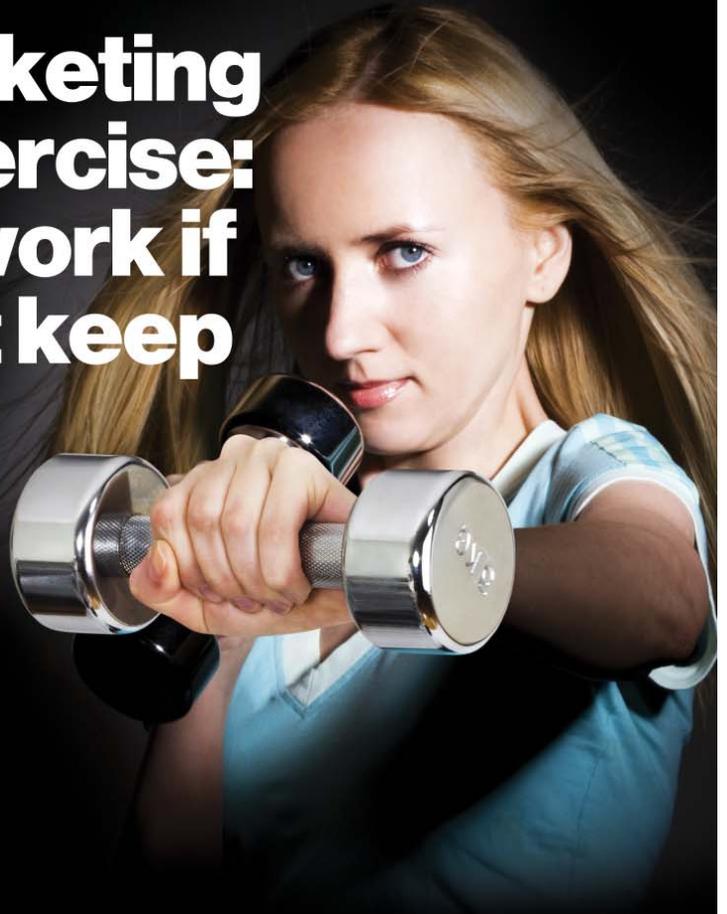
Achieving Level 5 as an industry is what we need to aim for. We are perfectly set up for this. Cancer, heart disease, diabetes, osteoporosis and more, have their beginnings, in many cases, with obesity and inactivity. This is our industry's "noble cause." This should be our focus, not each other. Aiming for this is what will engage those 140 million Americans who aren't utilizing what we have to offer. Aiming for this is what will take us as an industry from being a luxury to being as mandatory as eating.

As a kick-start, The Independent Health Club Networking Association (IHCNA) is providing a link to the entire audio book, *Tribal Leadership*, along with other management tools and best practices. There's no charge, not a dime. The authors of *Tribal Leadership* want everyone to hear what they have to say, royalty-free, because making the World better is their "noble cause." Go to www.IHCNA.org, and sign-up for the newsletter on the home page. An email will be sent to you with the links. From there, go to the IHCNA Forum where independent club managers have provided their best ideas for doing better business. If you have something to share, email it in and it will be posted and shared through the newsletter.

Together, Level 5 is achievable, but divided, it will never happen. We can do this.

(Jeffrey Keller of IHCNA may be reached by email at jeffrey_keller@msn.com)

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fitness facilities has also greatly increased. Clubs that can offer greater convenience at a lower price may become beneficiaries of attrition at higher-priced clubs during an economic downturn, and affordable, highly convenient 24-hour express clubs are the fastest-growing segment in the industry.

To close, there is one analogous industry to consider when developing a fitness business model: **Traditional Retail**. Unit economics are paramount in the eyes of investors; same store sales, four-wall EBITDA margins, breakeven analysis/payback periods and return on assets and invested capital. Management execution is critical, however, as the barriers to entry are low.

In preparation of this report, **CLUB INSIDER** contacted Peter Rottier.

CLUB INSIDER (C.I.) - In your opinion, what is the most important point attendees to the 13th Annual IHRSA Financial Panel and our readers should take away from your presentation and this summary?

Peter Rottier (PR) - Despite a difficult market environment, PE/VC funds remain an attractive alternative for health clubs and fitness-related businesses. To attract a high-quality PE/VC fund, entrepreneurs should closely manage their store-level metrics and cash flows. Access to credit will remain tight for some time, and as such, new store growth should be carefully evaluated. There will be continued stratification of services and price within the health club industry which will lead to many new and successful business models.

C.I. - Given your specific expertise, what are the most important financial issues independent club owners, as well as chain clubs, should be aware of heading forward, both during and after the recession?

PR - My background is in investment banking and private equity for growth companies. Entrepreneurs need to be aware of capital intensity and store level performance. Access to capital is tighter and customers are willing to shop to find the best price/value trade off. Bringing on an experienced private equity investor at the board level can help

ease liquidity issues and develop a strategy for long-term growth.

Ed Moss Lincolnshire Management

Founded in 1986, Lincolnshire makes both minority and majority equity investments in lower middle market companies primarily in the manufacturing and service sectors. From inception until July 2008, Lincolnshire has invested in or acquired over 60 companies.

Lincolnshire's investment thesis, as it relates to the Health and Fitness Club Industry is comprised of the following points:

- Fitness clubs participation should continue to increase as consumers seek to improve their quality of life.
- Positive "healthy living" trends persist even in an economic downturn.
- Population growth continues to be robust.
- Stable & predictable cash flows can be leveraged.
- Market saturation drove down per club revenues (2002 - 2005), but there was recovery in 2006-2008.
- Fitness clubs are less discretionary than other leisure products, such as power sports.
- Economic downturn pushes people to family clubs and low-cost clubs; this hurts mid-tier facilities.
- Previous recessions have impacted growth. During the 1990 recession, sales in the industry declined; however, we believe the industry is resilient and will continue its upward trend.

Current industry trends have shown the following:

- Through 2008, 80% of clubs experienced flat to improving business (40% flat, 40% improving). This may have been skewed by new, small clubs ramping up.
- Promotional activity is significant with most operators maintaining monthly dues structure and discounting either or both enrollment fees and administrative fees.
- "No-Frills" operators reported higher traffic levels as some consumers are trading down for less expensive memberships.
- There is a general pullback in ancillary services by members, but personal training and spa services remain popular and have

remained flat.

• Challenging consumer environment, high unemployment and more competition will impact industry through 2009.

• Near-term pressure on new member traffic and in-club spending should reverse (increase) when consumer sentiment and other macro factors improve.

• Over the next 2-3 years, we should see a rebound to normal levels of growth similar to the post-1991 period.

• Companies with strong cash flow and minimal exposure to credit environment should outperform peers. Owned real estate is helpful, low-cost and full service clubs will be better off, and mid-tiers may struggle.

• M&A market has slowed. Expect lower transaction multiples for a few years.

CLUB INSIDER also contacted Ed Moss.

CLUB INSIDER (C.I.) - In your opinion, what is the most important point attendees to the 13th Annual IHRSA Financial Panel and our readers should take away from your presentation and this summary?

Ed Moss (EM) - Clubs in highly competitive environments will perform best if they stake out either the low price/high volume or high end/family full service market segments. Undifferentiated fitness-only clubs with mid-market facilities could see a decline in market share without a unique selling proposition.

C.I. - Given your specific expertise, what are the most important financial issues independent club owners, as well as chain clubs, should be aware of heading forward, both during and after the recession?

EM - Finding affordable credit, deleveraging and diversifying revenue streams.

Hugh Paisley UBS Investment Bank

UBS is a leading advisor



to retailers across the globe and has extensive experience in the Health and Fitness Club Industry, including Gold's Gym, Lifetime Fitness, Equinox Fitness Clubs and Fitness First, among others.

The current environment can be described with "The 4 C's." **Capital** is in short supply as the macroeconomic environment worsens. **Convergence** trends are accelerating as companies from all sectors seek new ways to grow. **Consolidation** activity will hasten as leading platforms continue to take market share from disadvantaged platforms. The **Competitive** environment is in transition as leading business models emerge and new models are formed.

Building on what Peter discussed, the Health and Fitness Club Industry is an emerging segment within specialty retail. To illustrate this, let's take a look at each sector individually.

As it relates to specialty retail, growth is slowing across all traditional segments. Convergence across product offerings is accelerating. Specialty segments have consolidated and leaders have emerged.

For example, in 1995, Circuit City was the industry leader in consumer electronics, Linens-n-Things in household goods, and Office Depot in office supplies. Today, both Circuit City and Linens-n-Things have exited the marketplace leaving Best Buy and Bed, Bath & Beyond to increase respective market shares (both had already eclipsed their respective predecessors in terms of overall size, profit margin and market capitalization). Meanwhile, Staples has overtaken Office Depot as the market leader in office supplies, and the distance between the two has widened over time.

In contrast, the Health and Fitness Club Industry is still in early stages of development. The size and growth of the industry is attracting a wide variety of participants from all sectors. While still highly fragmented, the competitive environment is intensifying as winning business models begin to take form.

Despite the rough end to 2008 (stock valuations for both sectors declined), the Health and Fitness Club Industry outperformed the specialty retail sector. For example, revenue for Lifetime Fitness and Town Sports International grew 17.4% and 7.1% respectively, while specialty retail declined by

0.1%*. Additionally, EBITDA margins were 28.8% and 21.1% respectively, while specialty retail was only 8.9%*. The positive fundamentals exhibited by the Health and Fitness Club Industry will attract additional capital investment, strengthening existing operators and introducing new ones.

*Bed Bath & Beyond, Best Buy, Dick's Sporting Goods, Home Depot, Lowes, Office Depot, PetSmart and Staples

Similar to the early development of other segments within specialty retail, business models in the Health and Fitness Club Industry vary, from key clubs to big box and niche to multi-fitness facilities incorporating all shapes, sizes and product/service offerings. Industry consolidation is inevitable. As illustrated before, the leaders today were not necessarily the leaders of the past. For example, Bally Total Fitness once held the Number 1 spot in the Health and Fitness Club Industry; however, after two bankruptcies and a less-than-positive public image, it may be open for a new leader. Who that future leader will be is dependent on many factors.

The Health and Fitness Club Industry is a dynamic one that will evolve over time. The "Prize" will be won by the operator who best anticipates the customer's needs and leads the industry forward. To achieve a leadership position, focus on operations, develop relationships in and outside the Health and Fitness Club Industry, monitor financial markets, prepare for increased competition and remain proactive.

CLUB INSIDER also contacted Hugh Paisley.

CLUB INSIDER (C.I.) - In your opinion, what is the most important point attendees to the 13th Annual IHRSA Financial Panel and our readers should take away from your presentation and this summary?

Hugh Paisley (HP) - While the Health and Fitness Club Industry offers a tremendous opportunity for investment today, as was the case in other segments of specialty retail, competition will intensify over time. Competition will force business models to become more efficient and offer greater value to customers. It
 (See **Financial Panel Page 38**)

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will also make it very difficult for inefficient models to compete. Therefore, it is important for all operators to proactively consider alternatives to strengthen their market position and prepare for industry changes which may include raising capital and/or mergers and acquisitions activity.

C.I. - Given your specific expertise, what are the most important financial issues independent club owners, as well as chain clubs, should be aware of heading forward, both during and after the recession?

HP - The need and desire for capital to prepare for the intensifying competitive landscape will be the most important issue facing all operators. Those who are able to effectively secure and deploy capital will be best positioned to both defend existing market positions, as well as capitalize on industry growth as the economy begins to recover.

Chris Gagnon
Global Leisure Capital

The Health and Fitness Club Industry does have characteristics of traditional retail; however *Fitness* makes it different. Overall, it is an extraordinarily appealing industry. Favorable demographics will drive industry growth. The high fixed cost nature of the business enables increasing rates of profitability as clubs grow and revenue streams are visible and predictable. There is a large "upside" market, and fitness, in and of itself, is a force for societal good, helping people live longer and live better. Finally, driving the industry are the smart, committed and entrepreneurially-minded people who work in it.

However, is the industry meeting these high aspirations? Membership rates are decreasing when they should be increasing, and the penetration rate remains low while obesity remains a national epidemic.

What is your value

proposition? Discount pricing? Timeshare on commodity fitness equipment? Level of "real" customer service? Basic programming? Advanced services/personal training? Nutrition? Results based on individual CRM? There are as many pieces to developing a value proposition as there are types of people coming to this industry's facilities. No facility can appeal to every demographic, but there are some new programs becoming more prominent across the industry as a whole. Programs such as Boot camps, triathlons, choreographed group exercise, Kettlebell training, sports training, Yoga, Pilates, CrossFit and nutrition programs are appealing because of the characteristics they share. These include being results-focused, functional, community-based and requiring "presence," both in terms of personnel and the member being aware and interested in what they are doing.

CLUB INSIDER also contacted Chris Gagnon.

CLUB INSIDER (C.I.) - In your opinion, what is the most important point attendees to the 13th Annual IHRSA Financial Panel and our readers should take away from your presentation and this summary?

Chris Gagnon (CG) - Given the difficulties in the financial market, prices are way down for many assets, including fitness clubs. As sales options are likely to be limited, club owners need to focus on generating growth through compelling sales pitches based on innovative fitness approaches. Great line management is at a premium in this market.

C.I. - Given your specific expertise, what are the most important financial issues independent club owners, as well as chain clubs, should be aware of heading forward, both during and

after the recession?
CG - All club owners need to make sure they have a balance sheet that supports their business strategy, with debt and equity partners who know and understand the business. Those who do will face compelling acquisition and growth opportunities, but it will take bravery to seize them in the downturn.

(Justin Cates is the President of CLUB INSIDER and grew up in the health, racquet and sports club industry. From the age of eight, he spent his non-school and sports hours in a home which doubled as CLUB INSIDER Headquarters. He has lived and breathed this industry for 24 years, since his own day one. Now, he is an integral part of the "Story" of Norm Cates and CLUB INSIDER. Justin may be reached at Justin@clubinsideronline.com or by phone at 770-394-7285)

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| Greenmaple Wellness - Pg 33 | www.gogreenmaple.com |
| Intek Strength | www.intekstrength.com |
| Iron Grip Barbell Company - Pg 23 | www.iron Grip.com |
| JLR Associates - Pg 32 | www.jlrassoc.com |
| Medical Fitness Association | www.medicalfitness.org |
| National Fitness Trade Show - Pg 27 | nationalfitnessradeshow.com |
| National Gym Supply - Pg 19 | www.gymparts.com |
| NFBA - Pg 13 | www.jointhenfba.com |
| Planet Fitness - Pg 2 | www.planetfitness.com |
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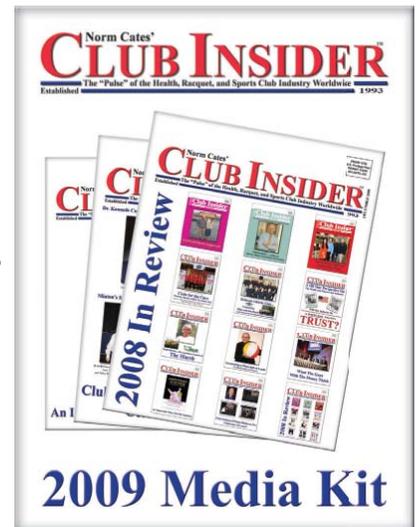
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Sincere Thanks and Great Appreciation To:

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

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