

Norm Cates'

THE Club Insider

NEWS

The Pulse of the Health, Racquet & Sports Club Business JULY 1995

\$95 MILLION!

Pleasanton, California - Two of the world's highest profile and fastest growing fitness club companies have merged, creating the second largest fitness company in the United States.

Family Fitness Centers and 24 Hour Nautilus Fitness Centers, the dominant fitness center chains in Southern and Northern California respectively, have created a club company with almost 1,000,000 members, 6,000 employees and annual revenues exceeding \$170 million. The new company, operating under the company name of Fitness Holdings, Inc., is controlled by McCown De Leeuw & Co., a private venture firm, with a significant ownership held by management.

"This will be a hard team to beat," said Mark Mastrov, co-founder of 24 Hour Nautilus and the Chief Executive Officer of Fitness Holdings. "We have combined the two fastest growing fitness club companies in the country. While each company's core business strategy is similar, there are subtle differences in what both divisions offer that will allow us to appeal to an incredibly broad range of new members. Plus, Ray Wilson brings an incredible wealth of knowledge and experience to the company."

Mastrov is a veteran club operator with over 12 years of experience in the California club market. He and his partner, Leonard Schlemm, founded 24 Hour Nautilus in 1983. Schlemm is the Chairman of Fitness Holdings.

"Of the three types of clubs in the industry, what I call "mega," "multi-sport" and "fitness-only," we very capably address two of the segments," says Mastrov. Most 24 Hour Nautilus clubs operate in the mid-market of the multi-sport category, offering a full range of services and facilities including such amenities as racquet sports, swimming pools, childcare centers and personal training at most locations.

"Family Fitness Centers primarily cover the more accessible price point of the fitness-only segment, offering massive amounts of high quality fitness equipment in a comfortable, well designed environment," says Mastrov. "We now have the option of matching the proper type of club to the appropriate market, and, in some cases, we may decide to compete with ourselves by bracketing the market."

Both companies provide members with a wide range of group exercise, strength and cardiovascular equipment options. In fact, the company is expected to be the largest single purchaser of fitness equipment in the U.S. in the

coming year.

Mastrov intends to continue growing Fitness Holdings and McCown De Leeuw & Co. have made ample expansion funds available.

"Our game plan is to grow both brands by building and buying, so we are continuing to look for strong, well managed chains. The ideal acquisition for us has forward-thinking management that wants to continue their involvement in the business as part of a strong team. We are looking for people and companies that can teach us about their markets and who are also interested in learning from our successes."

"We are also looking for high quality club personnel to join our team," says Mastrov. "Experienced club staff who are looking to grow their careers in the industry will not find a more exciting and growth oriented opportunity than our company."

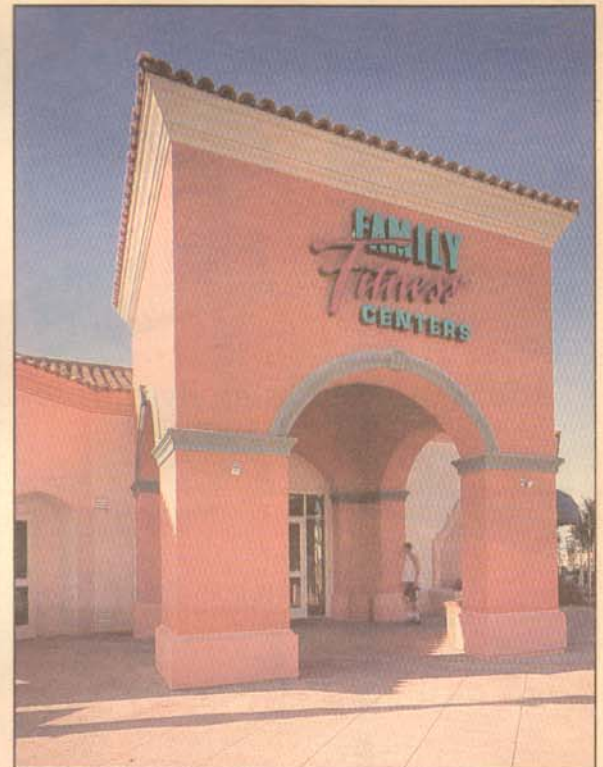
Craig Pepin-Donat, formerly with New York Health & Racquet Clubs, has been hired to serve as President of the 24 Hour Nautilus Division of Fitness Holdings, Inc., where existing clubs will continue to operate as 24 Hour Nautilus Fitness Centers. Ival McMains, Chief Executive Officer of Family Fitness Centers, will serve as President of the Family Fitness Division, under which existing clubs will continue to operate as Family Fitness Centers. Ray Wilson, the founder of Family Fitness Centers and one of the pioneers of the fitness industry, will continue in his role as Managing Director of Family Fitness and will serve on the Board of Directors of Fitness Holdings. Ray Wilson has been the innovator of many major

developments in the health club industry over the last 40 years. He perfected the Lifecycle exercise bike and teamed with Augie Nieto, now President of Life Fitness, to successfully market the Lifecycle worldwide. The Lifecycle stimulated a massive boom in sophisticated-high-tech cardiovascular equipment on a global level, which has yet to lose momentum.

"The health club industry is highly fragmented and ripe for rapid consolidation," says Wilson. "The merger is more than just an example of this trend. Fitness Holdings now has

the critical mass to be a primary driver and beneficiary of consolidation opportunities."

"The merger with Family Fitness is a perfect fit for both companies and is an opportunity we identified during our initial due diligence of the health club industry," said David King, a Partner of McCown De Leeuw & Co. The total merger transaction of the two companies, including a significant refinancing, is valued at approximately \$95 million and includes a new \$15 million acquisition and capital expenditure facility to fund future growth throughout the U.S.



Family Fitness Center
Rancho Santa Margarita, California

- Inside The Insider •
- Ray Wilson... Club Legend - Part II
- Skywalker Modifications in Process
- American Club Systems Growing
- John Wayne Tennis Club Sold
- Ken Germano's Operation FITKIDS

THE INSIDER SPEAKS

• EDITORIALS • "INSIDER MAIL" • COMMENTS •

"TELL IT LIKE IT IS!"

By Norm Cates, Jr.

The **CLUB INSIDER** Newspaper is now in its 20th month of publication. I have promised my readers that I will live up to the publication's motto: "TELL IT LIKE IT IS," at all times. I have tried my best to do just that each

month.

But, last month, I let you down. I published an article entitled: "FUTURE OF FITNESS" Symposium Brings Together Healthcare & Fitness Leaders - which was factually incorrect. Not on purpose, mind you..... but factually incorrect just the same. That fact was brought to my attention in no uncertain

terms by a gentleman associate of mine in the club industry. He made a friend out of me too, by reading the riot act to me for my inaccuracies. I want to say thanks to him for his scathing letter to me! And, I want to tell him he was absolutely right.

Here is what happened. I received a press release from the people at Sports Specific International which provided details of this symposium, including a list of those who were to be in attendance. In my rush to meet last month's deadline, I published the press release as an article at about the same time as the meeting was going on. It was kind of like in that Steve Martin movie where he was a weatherman who wanted to get away, so he videotaped about a week's worth of weather shows in which he showed Southern California as being its normal balmy and sunny situation. The problem was that after he left, Southern California had the worst rains in 100 years! Well, when several of those who were listed in the press release failed to show up, my "article" in fact, became

untrue and factually incorrect. He also chastised me for failing to report the actual happenings at the meeting. Again, he was correct. I was not able to attend the meeting. But, he did, and he knew exactly what happened. This man made it clear to me that in his opinion, The **CLUB INSIDER** News has a place in the club industry provided that I live up to my motto of "telling it like it is." He emphasized that the TRUTH is critically important. I could not agree more! Since I have taken up this occupation and tooted my own horn that I was going to tell the truth ALWAYS, even when it might hurt, then I had better deliver the goods.....!

Well, I wrote a letter to my associate and friend in which I basically agreed with him and I told him I would level with all of you, too. Now, I want to attempt to set the record straight. I contacted a person I know who WAS at the meeting. He first confirmed for me that of the people I had listed as in attendance, several were not there. Specifically, Clint Eastwood didn't show up because of a problem with his old girlfriend. Paul Fireman

and Roberto Muller, Chairman and President of Reebok International, did not attend; instead, a Vice President of Reebok, John Frascotti, attended. The futurist and author, Ken Dychwald did not attend. I don't know why. As far as my informant knows, those were the only ones I listed who did not attend. Some have characterized the meeting differently than the press report which I published did. The feeling is that the meeting was intended as an opportunity to hype upcoming new products from Sports Specific International and to tie the whole thing into the meeting of the Board of Directors of Sports Specific. I CAN say that the person that I spoke to who was in attendance said the meeting was interesting in that some good information on fitness trends was provided and that Bob DeMonteque, a club industry pioneer and expert on aging had some interesting comments. The next time the people at Sports Specific International have a big get together like this, I am going to call Lee Guthrie and ask him to send his jet to take me to the meeting like he did about 8 others who flew out of L.A. together.

Let me close today by simply saying this. I want you ALL to read every word in this newspaper every month very carefully. And, if you find that I have published something which is either not the TRUTH or is incorrect... then give me a call on my toll free line at (800) 700-2120 or fax me a note at (404) 933-9698. I want to hear about it, because if I do ever print UNTRUTHS and/or incorrect information, IT AIN'T ON PURPOSE and I will print a correction or retraction the very next month. And, even if I publish an OPINION that you disagree with, I will be happy to hear from you. I want to learn ALL I can so I can share it with my readers every month! I agree with my associate and friend.. the TRUTH is very important and I will continue to make my very best effort to give you NOTHING BUT THE TRUTH every month! THANKS FOR READING THE **CLUB INSIDER NEWS!**

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•NORM'S NOTES•

JERRY ALLES, the President of Atlanta-based Sportslife, announced last month that the sale of Sportslife to Mesa, Arizona-based USA Health Technologies, Inc. was not a "done deal." Instead, Alles explained that he is talking to a number of companies about possible deals and that nothing at this time is final. In the mean time, Sportslife's new **VIE MAGAZINE** for health clubs is growing rapidly.

BILL GOODING AND MICHAEL DREIFUS, the Founders of Preferred Clubs, are working on an arrangement to bring golf and country clubs into the plan. They also are close to signing a deal to bring in a new partner..... a **PROMOTIONAL POWERHOUSE**, according to sources. The Preferred Clubs program is the only VIP Access Card for health, racquet and sportsclubs in the U.S. For information call: (800) 698-8887.

KEN GERMANO is a really nice fellow.....he also is the Vice President of Sales at Cross Conditioning Systems. He has founded an organization called **OPERATION FITKIDS** which is a really great idea. Check out the article about FITKIDS in this is-

RICH BOGGS, one of my old partners from the 1970's and early 80's is the President and one of the founders of The Step Company. Rich and **LYLE RAY IRWIN** are the ones who brought THE STEP to the club industry. Rich confirmed a rumor which had been floating around. The rumor..... he had been approached by **NAUTILUS** to take over as the President of the Nautilus. Rich says, "there was a conversation about the Nautilus situation, but there was no offer made and I indicated to the Nautilus people that I had no interest. Turns out that one of Rich's old high school buddies,

ERWIN MADDREY, the President of Delta Woodside, which makes the Duckhead products, now owns Nautilus. Word is that Nautilus is focusing on international sales and kind of throwing in the towel on the U.S. market with reduced annual goals. Stay tuned.

CWISTEIMAN and associates at the Washington, D.C. area Sports and Health Clubs have informed me that there is a move afoot by major credit card companies to require businesses which do EFT transfers to continually provide **NEW EXPIRATION DATES**. Does anyone else out there have news on this matter??

MIKE BURNS, formerly with the U. S. Tennis Association and Chairman of the U. S.

Open in New York, has moved to Atlanta to take over the 1996 Olympic Games Tennis competition. Welcome to Atlanta Mike!

PAT PINE, the esteemed Executive Director of the Western Association of Clubs, based in Denver, has done a terrific job with their Colorado Fitness Therapy Network (CFTN) of clubs who have joined together to provide a complete Wellness Program for corporations, insurance companies and healthcare providers. Also, the WAC is **FITNESS '95**, the Summer Conference and Trade Show at the Copper Mountain Resort on August 16, 17, and 18. For more information, call Pat at (303) 399-7687.

AUGIE NIETO, the President of LifeFitness, is rumored to be very close to closing a deal to purchase the High Tech Company, a California based supplier of selectorized and other weight equipment.

Villa de Papagayo is a new villa overlooking the beautiful Pacific coast in El Ocotal, Costa Rica, built by my good friend and publishing associate **RON HUDSPETH**. Check out Ron's property rental ad shown on page #16. Ron and I and about 50 of our Atlanta friends are headed down there next week for a little "housing warming" party. It will be my first vacation in two years..... I'll check it out and report later. The Villa de Papagayo is available, maids, cooks and all, so give Ron a call at (404) 255-3220 if you are looking for a great vacation spot!

MARK EISENZIMMER and **WAYNE WESTWOOD**, veteran club operators in Oregon, are teaming up to build a new club in Vancouver, Washington.

MITCH WALD, the head man at Smith Club Management in Washington has developed a program for his clubs called the Monarch approach which puts a new twist and much more professional relationship into the world of membership integration. Look for more later.

DOUG MILLER, the European branch of Sales Makers, International, is working with the giant Whitbread Brewing Company as a consultant to a number of their country clubs. Doug worked for me in Atlanta in the early 1980's and is one of the most interesting (and bright) guys you will come across. Together, Doug and I created a full page ad for a new club I was building. We ran the ad in the sports section on Super Bowl Sunday and generated 1200 responses! Best wishes to you Dougie my boy!

CLUB INSIDER

NEWS SEEKS CONTRIBUTING WRITERS! One sure cure for having to read what I write is for you to write an article for **The CLUB INSIDER** and contribute it to this cause. In case you are new, this fledgling publication is all about sharing..... sharing the good, the bad and the in-between in the club industry. Together, we will move this industry forward in a big way by sharing how we do things and how to avoid mistakes as well! Call!! (800) 700-2120 and let's talk about what YOU can do to help the industry.

PUBLIC NEXT? Which one will it be? TSI, the Q. Clubs, or how about the newly merged Fitness Holdings, Inc.? The Sports Club Company went public at around \$9 per share and is trading now at \$5..... what does that mean? My bet on who goes public next is Fitness Holdings.

TOM MCCOY AND KEN LUCAS, two fine guys, are holding the fort, but everybody is wondering what the hell is going on at CYBEX. They now have no head man for the parent company, LUMEX or head man for CYBEX. Let's hope that when they do pick, someone for the Cybex Presidents job, it will be someone who has experience in the club/fitness industry. CYBEX has been a great contributor and supporter of IHRSA over the



Norm Cates, Jr.

years.

TONY de LEEDE, owner of Australian Body Works in Atlanta has just started construction on what will be his 12th Atlanta area

club. He also owns a 50% stake in Cardio Theater and is increasing sales on that great concept dramatically since the buy in.

Farewell Irma... And Good Luck!

Portland, Oregon - Irma Campbell-Cook, the esteemed Executive Director of NACA (the Northwest Athletic Clubs Association) will be leaving the Association after the annual NACA Summer Conference. Citing family reasons, Irma has informed the Association that she and her husband Bill will be moving to Arizona by years end.

Irma has been with NACA since it began and is appreciated and loved by the progressive NACA

members. NACA President, Debbie Eisenzimmer, speaks for the entire Association when she writes:

"Dear Irma,

Bless your heart — I'm missing you already! I have loved working with you. You are absolutely one of a kind. You have uncanny people skills, remarkable verbal and communication abilities, endless energy, limitless creativity, perfect professionalism and a wonderful husband! You are an inspi-

ration to all who meet you..... in fact, to all who speak to you (even on the phone)!

I wish you every happiness as you pursue your life's next dream. I am dreading your departure but I respect your current priorities. You are not gone yet I know, but I felt moved to let you know that you are one of the most remarkable women I have ever met! All of NACA will miss you! "

Debbie Eisenzimmer

Special Thanks To Neil Sol!

By Norm Cates, Jr.

I want to take this opportunity to extend my thanks to Neil Sol for his contribution of **MICROFIT's HEALTH CARE CONNECTION** article each month. As have Rick Caro, Sandy Coffman, Roger Ralph, Casey Conrad and others, he has used his valuable time to write and contribute articles to the **CLUB INSIDER** News. Without Neil's and the contributions of these many others, the **CLUB INSIDER** would not be published. It is a deep caring about our industry that inspires

Neil and the others to contribute regularly to this learning process, and we thank them all.

Neil is recovering now from knee surgery which he had recently to correct an old football injury. We wish him well and we hope the recovery is full. Next month, I will publish an interview with Neil in which I am going to get into some of the "nuts and bolts" of the club industry. We will talk about his experience as the General Manager of the \$20+ million dollar Houstonian when he took over and returned it to profitability. We will talk about his work with the American College of Sports Medicine, the Association For Worksite Health

Promotion and his recent selection as a member of the National Association of Healthy American Fitness Leaders.

We will talk about his experience as a consultant and his current yearning to get back into a role of management in a day-to-day club operation.

In the mean time, if you need help in establishing a connection for your club with the health care community, you could not find a better person to help you. Neil is the President of Houston-based, Health Vantage, Inc. and he can be reached at (713) 344-9909.

MICROFIT'S HEALTH CARE CONNECTION Take Heed Club Industry... America Is Speaking!

By Neil Sol, Ph.D.

Recently, The International Health, Racquet and Sportsclub Association (IHRSA) published a study entitled: "Attitudes Towards Healthy Lifestyle Incentives". This research, conducted by American Sports Data for IHRSA, in this writer's opinion, presents information/data that should catapult the club industry into our destined place within the evolving health care continuum. It is in your best interest to obtain and carefully read this latest IHRSA research because it provides verification of America's perception of the role of the health club in promoting preventive health and America's belief that FITNESS is health. This research emphasizes to health insurance companies, MCO's and health care institutions that they have an acute need for a relationship with a health club partner. If this research does not boost your confidence as a member of the club industry to assume your rightful place in the health care continuum, nothing will.

With the current study, IHRSA has done it again. Now, as they have numerous times in the past, (examples: Benefits of Regular Exercise and Economic Benefits of Regular Exercise) IHRSA has provided and published for the Health Club Industry pertinent and verifiable market information that will guide our industry.

In 1989, John McCarthy, Executive Director of IHRSA, reported on just such an IHRSA research project in a column in CLUB BUSINESS INTERNATIONAL Magazine (CBI) entitled: "The 1%

Solution." In my opinion, this was the most important and usable market research data I, as General Manager of The Houstonian Club at the time, had ever read. However, I believe many in our industry overlooked its significance. This research simply asked a sample of individuals over the age of 35 who were not club members at the time, WHY THEY WERE NOT MEMBERS OF A CLUB?

The response by 99% of those asked, which should be astounding to club operators, was that: "they were concerned that the clubs could not deal with their SPECIAL HEALTH NEEDS AND CONCERNS."

When asked what the club should do to get them to join, the responses included, but were not limited to the following:

- Affiliate with medical institutions
- Offer wellness programs
- Provide fitness evaluations
- Hire certified or licensed staff, etc.

The findings of that study were timely. During the late 80's, as in recent years, the largest segment of the population joining clubs was over 35 years of age. This IHRSA project suggested how to attract this population. The message in this research, if followed, was a certain formula for success.

The 1% Solution research data was published just as the club industry's opportunity in a changing health care paradigm was materializing. It was an accurate initial message to the club industry to look to a future relationship with health care; how-

ever, it took years for many members of the health club industry to accept the message. Regardless, the findings of the "1% Solution" reflected an unstoppable trend that of the club becoming the fitness and preventive health provider to America.

IHRSA's current research is further evidence of this trend. Approximately five years later, "The American Attitude Toward Healthy Lifestyle Incentives" research tells us that the American population desires fitness. More importantly, they see fitness as preventive health care.

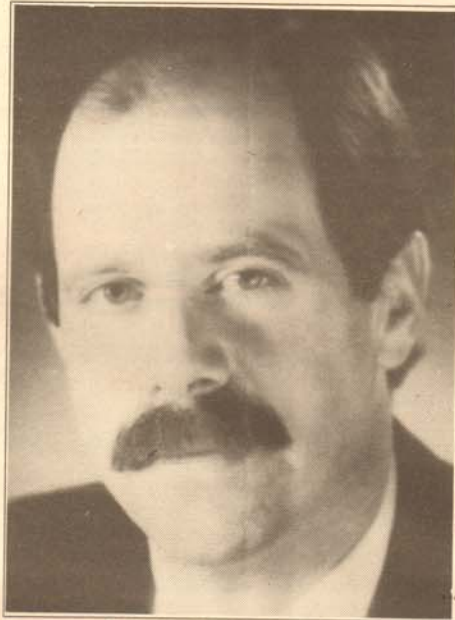
This research, will capture the attention of MCO/health insurance companies because it clearly states that a large percentage of Americans would switch their current health insurance product/plan to one that will subsidize health club memberships and/or one that offers subsidized preventive health care services.

Sales volume continues to drive the decisions of health insurance companies. They will realize that to be competitive in future sales of their insurance plans they will need to address the provision or subsidization of preventive health services. As a result, health insurers will need to, now more than ever, establish relationships with members of the club industry as their preventive health provider. Why? Because America insists.

"The American Attitude Toward Healthy Lifestyle Incentives"

The study surveyed 3 groups of Americans:

- (1) Current health club members.
- (2) Home/outdoor ex-



Neil Sol, Ph. D.

pectations that health care insurers should promote health. Additionally, this research suggests that not only are exercisers interested in obtaining fitness and preventive services from their insurers, but so are a significant percentage of the inactive individuals surveyed. No longer is the argument that fitness should not be subsidized because it will only benefit those that exercise. Sedentary people want the service too.

The BOTTOM LINE: the American public is in

ercisers who were not club members.

- (3) Inactive individuals who were not club members.

The research asked these groups two general questions:

- (1) Would they switch their current health insurance plan to an HMO/Insurance plan which helped pay for health club memberships?

- (2) Were they in favor of a health insurance system that provides financial incentives (hypothetically an annual subsidy of \$500) for health and fitness services?

The findings for Question #1 were significant: 73% of health club patrons, 64% of home exercisers and 54% of the inactive respondents were in favor of some form of subsidization for fitness and preventive health services!

The general conclusion of this research is that:

- (1) Americans desire and possibly will even require subsidized fitness and preventive health services from their health insurance providers;
- (2) Americans have ex-

our corner, supportive of our contribution to their health care. This research could not have come at a better time. IHRSA has again, made available market research that can guide us through the shift in our industry.

DO NOT IGNORE THE IMPORTANCE OF THESE FINDINGS!

The health club industry and the fitness and preventive services that we offer are becoming a major factor in the decision process for individuals purchasing health insurance. Take heed health club industry..... America is speaking!

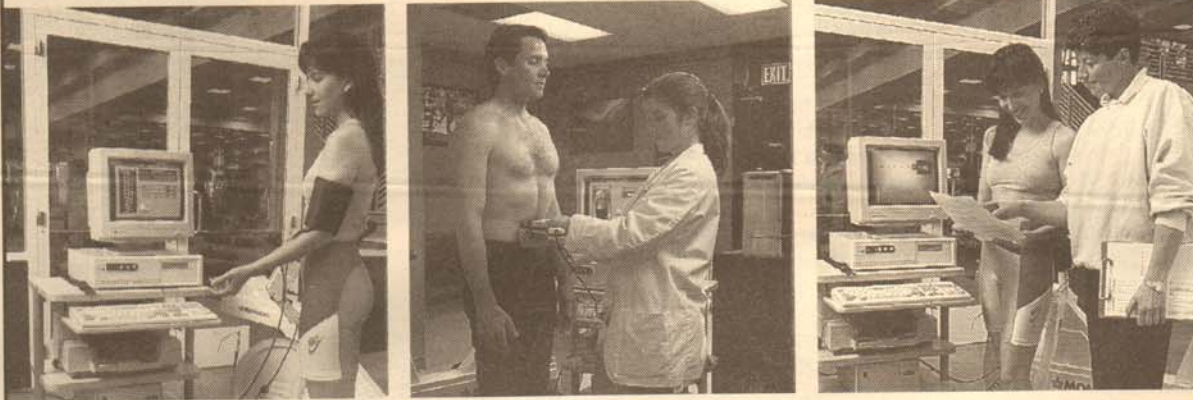
Editor's Note: Copies of this report are available to IHRSA Members only. For IHRSA Membership Information, call (800) 700-2120.

(Neil Sol, Ph.D., is the President of Health Vantage, Inc. a Houston, Texas based club consulting firm. Neil is one of the club industry's leading experts in the field of health care as it relates to clubs. Neil can be reached at (713) 344-9909.)

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Skywalker Modifications In Process

By Norm Cates, Jr.

The **CLUB INSIDER** News reported last month on the initial shipment of the new Skywalker machines. The Skywalker had been on the market since last fall, when it was introduced at the CLUB INDUSTRY Show in Chicago. However, no units had been shipped since the original roll out, except for the first 150 which had been manufactured in mass production. We explained that the Skywalkers had been shipped to locations around the country, but that mass production had been stopped so that modifications could be made before continuing. We asked, "When will production resume and when will the mass orders of the Skywalker begin to be shipped?" The question went unanswered last month, as Don Gronachan, representing Skywalker, suggested that **The CLUB INSIDER** speak directly with Lee Guthrie, the President and CEO of Sports Specific International, (SSI) the Calgary, Canada-based, publically traded company which is producing and marketing the Skywalker. We were not able to reach Lee last month by press time, but since then, we have been able to speak to Lee on two different occasions.

We explained to Lee that the club industry has a lot of questions about what is going on with the Skywalker program and why. We explained that these questions needed to be candidly answered for the club industry and it was in the best interest of SSI and Skywalker customers everywhere to "tell it like it is" relative to the Skywalker developments. With that said, Lee Guthrie agreed to clearly explain what is going on and why. He also put **The CLUB INSIDER** in touch with Mike Cheek, the President of C-Power Products, a Rockwall, Texas-based company that is manufacturing the Skywalkers for SSI.

Lee Guthrie has an extensive background in the club industry. In his early years, he was a club operator. He then moved on to positions with Nautilus (1975 to 1980) and Life Fitness (1981 to 1990). This writer has known Lee for 15 years. The best way to describe him is that he has bulldog tenacity, extraor-

dinary drive, huge optimism and he is a terrific salesman. However, his experience in the realm of new product development and manufacturing is somewhat limited.

Lee candidly informed **The CLUB INSIDER** about the inside story on why the initial deliveries of Skywalker had been delayed and about the specific problems they have experienced with the machines since they shipped the first 150 produced in mass production. Here it is.

Lee explained that the Skywalker was created on an incredibly fast track. It took only six months to go from a clay model to the first prototypes. He confided that "I probably rushed marketing the machines more than I should have, but I believed that the popularity of the machines would overcome virtually any problems we would experience." If the comments of Chad Smith, son of Rudy Smith, of the Las Vegas athletic clubs are any gauge, then Guthrie is right. Chad Smith commented: "Our members loved them and as far as a sales tool on the club tour, they are fantastic.... people think they are great!" He went on to explain that while the problems with the machines had not been anticipated, his club had agreed to be a "test site" because of their high volume of daily workouts, so the members were o.k. with that." He added: "Skywalker has replaced the first four machines with four new ones and they are working out a lot better!"

Guthrie went on to explain that the original machines, which had been displayed at the various trade shows, had been "hand made" while the first 150 that were shipped were manufactured on a production line. As in any manufacturing process, there is a "de-bugging" period where the kinks must be worked out.

The CLUB INSIDER had learned through a number of sources that the first 150 Skywalkers shipped have experienced a number of problems.... all of which have resulted in "user dissatisfaction." However, it is safe to say from the reports we have heard, that club members like the machines, but hate it when they

are "out of order."

We asked Lee about the widely reported "break-downs" and he candidly explained the three problem areas which are being corrected. He also wanted to emphasize that in addition to correcting these problems on the machine before further mass production, they were also going to: "replace the first 150 machines that had been shipped because it is the right thing to do." Chad Smith has confirmed that the replacement process has already begun.

The three problem areas were:

(1) The silicone hydraulic design had proven to be insufficient.

(2) There had been problems with the movement arms which resulted in a squeaking noise and a "less tight" machine than desired.

(3) The motor driven "resistance system" had been causing problems resulting in a "Code 11 & 21" on the display panel and shut down.

The CLUB INSIDER then contacted Mike Cheek, the President of C-Power Products, the manufacturing company which is producing the Skywalker. C-Power is a company which manufactures a wide array of products, typically on a private label basis or on a private contract. They design and manufacture products consistent with ISO 9001 standards, which in laymen's lingo means that they are capable of manufacturing high tech products of all kinds and of high quality. The brochure for C-Power proudly states the **QUALITY POLICY** of C-Power's Products.

C - Power Products QUALITY POLICY

"C - Power Products, Inc. will continuously improve its products to better satisfy the needs of its customers and will deliver to them, on time and every time, defect-free products and services."

Mike Cheek has clarified for **The CLUB INSIDER** the specific details of the problems above and exactly what is/has been done to correct them:

(1) The silicone hydraulic design had proven to be



Skywalker

insufficient for two primary reasons: (a) The original cylinders, which had been provided by another supplier, were compatible to 600 PSI, but the system was being subjected to 1200 PSI. (2) The extra pressure and leakage from a crimped joint were causing leakage of the silicone hydraulic system fluid from the units, ultimately causing the unit to cease operation.

CORRECTION: The silicone hydraulic cylinders are now being sourced from a different supplier with a PSI specification adequate to meet and exceed the typical 1200 PSI demand. The new cylinders will be welded together as opposed to having a "joint" connection.

(2) Movement arm attachments were causing a "squeaking noise" and there is a less than desirable "tightness" in the machine.

CORRECTION: Nylon bushings are in place to eliminate squeaking. Arm bearing configuration has been modified. Also, larger snap rings are now installed to mount the handles, a few of which had loosened.

(3) The resistance system has a motor that drives a valve that controls the resistance as selected by the Skywalker user. This system had been electronically shutting down and displaying a "Code 11 & 21"

CORRECTION:

Three independent contributors to error code problems have been fixed:

(1) Faulty encoders supplied by the motor supplier;

(2) Improper alignment of motor linkages; and,

(3) Insufficient electrical current to the control board.

Mike Cheek was clear and confident about the modifications they have made and stated such: "We have corrected every single problem that has arisen and we are confident that these modifications will allow us to proceed with a highly durable - high quality machine in mass production."

Lee Guthrie has indicated to **The CLUB INSIDER** News that while these problems did exist, they have been corrected and he is restarting production on July 15, 1995. He expects to ship 300 new Skywalkers in July, 500 in August and eventually will be producing and shipping 1,000 per month. He indicated that the cost for individually ordered Skywalkers will remain at \$3995 and the multiple - unit orders will be made available at a discount from the \$3995 price.

Lee confirmed that he has approximately 4800 orders for the machine. We hope that the bugs are worked out in their entirety and that club owners will soon receive shipments of the Skywalker. **The CLUB INSIDER** will keep you posted on further Skywalker developments.

American Club Systems Growing Rapidly

By Norm Cates, Jr.

Charlie Lindsey is a former Mr. Alabama ('83) and is the Alabama bench press record holder who has turned his interest in weight training into a highly successful health club business called American Club Systems, Inc.

American Club Systems, Inc., is a Columbus, Georgia-based company which owns and operates 68 clubs across America. Founded in 1989 by Charlie Lindsey, (President) and Timothy Goodwin (Vice-President), American Club Systems has grown using the Mission Statement shown below:

AMERICAN CLUB SYSTEMS MISSION STATEMENT

American Club Systems is a team of highly motivated individuals dedicated to the development and consultation of fitness clubs internationally. Our clubs are characterized by a fun atmosphere, superb quality and economic viability. Our strength to be a profitable company is generated from our commitment to our investors, our managers and our people.

Charlie Lindsey and Tim Goodwin have been very successful in attracting private investor dollars to fund their rapid club growth. Lindsey projects that they will have 90 clubs in operation by the end of 1995. They are able to attract serious investment dollars from individuals because they have a proven track record of delivering high rates of return on investment and they are known and trusted by their investors. Most of their investors live in Columbus, Georgia, an affluent southwest Georgia city of 250,000.

The numbers on their club group are impressive with over \$50,000,000 in annual revenues and a club average revenue of \$800,000 per year. Their clubs average 3,000 dues paying member accounts. They have nearly 200,000 members in all of their clubs. Their highest traffic clubs are in Durham and Charlotte, North Carolina in facilities owned by professional wrestler, Rick Flaire, where the peak daily traffic will hit 800 to 900 workouts. The average size of their clubs are 12,000 to 15,000 square feet.

The American Club Sys-

tems club group consists of primarily Gold's, World and Powerhouse Gym operations. They talk "NET" dollars in their business accounting, not the old and traditional "gross." Importantly, they focus on building monthly dues income and they tend to be on the higher end of the fitness club market with dues ranging typically from \$39 to \$49 per month.

Charlie Lindsey says he wants to make American Club Systems into the "McDonalds" of the health club industry. But, he also says his learning experience over the years has been significant..... he jokingly comments: "Over the years, I have managed to do everything wrong at least twice!"

Lindsey says that the "basic concept" of American Club Systems is "to have what they want at a reasonable price." He has shaped his company with a mind for fair pricing and business practices for consumers and his belief in that goes back for years.

For example, when American Club Systems conducts a pre-sale on a club, they do it in a unique and customer friendly way. They TAKE NO MONEY. They work the pre-sale effort and post-opening effort with the same goal..... building monthly dues collected by EFT (Electronic Funds Transfer.) They provide all members who join during the pre-sales with a 14-day trial membership and a money back guarantee when they enroll. So, the member has no risk at all because he/she has 14 days after the club opens to try it out without obligation. This plan works well as they have had some clubs to open with 1,000 or more dues paying members signed up on the EFT plan. And, according to Lindsey, the American Club Systems were the first in the gym business in the U.S. to go to EFT dues collections.

To keep those monthly EFT dues flowing, Charlie and his team focus a great deal on MEMBER SATISFACTION. The ACS company goal is "to have every member leave the health club feeling better about themselves than when they arrived." To that end, they offer a quality facility with the best names available in exercise equipment and they maintain a keen focus on club sanitation. To help maintain the employee focus on customer service, they offer video programs on proper customer service policies and proce-

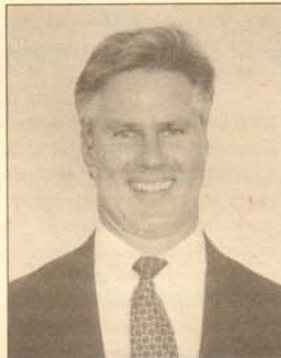
dures. American Club Systems is totally "member focused" and trains each employee to become "go givers" and to acquire the "member first" attitude. The American Club System's formula of quality, well equipped facilities, combined with excellent service, provides an end result of member satisfaction. This combination of well planned and equipped facilities, excellent employees and professional club marketing campaigns is generating excellent results for ACS.

Employee development, Lindsey believes, is an area that is often overlooked in the club industry. The American Club System's "Total Concept" offers a complete training and development package that educates and challenges employees to reach new performance levels. Their formal employee training programs include: a two-day sales skill seminar offered monthly, a two-day management workshop offered semi-annually, sales handbooks, an Operations Book (policies and procedures), video training, a monthly marketing newsletter and a three-day "Boot Camp" program.

The American Club Systems marketing program provides a consistent annual plan to provide increased exposure and higher market share. ACS clubs receive monthly marketing promotions that are carefully planned and tested. Some of the marketing support programs offered by ACS are: a monthly marketing newsletter with strategies for utilization, internal club promotions and fitness parties, pre-enrollment marketing programs, open house and guest appearance programs, sample promotional materials, corporate marketing packages, external prospecting lists and publicity programs.

In addition to ACS network of clubs, Lindsey's ACS has developed the Cory Everson Licensing Program which now has 8 clubs enrolled. Everson is a six time Ms. Olympia winner and has been prominent on television and video in her role as a fitness guru for women. She currently appears on the ESPN 2 "Gotta Sweat" program. Christine Morgenstern is heading up the Cory Everson licensing program for American Club Systems.

The American Club Systems network of clubs is now in 13 states and two international



Charlie Lindsey



Tim Goodwin

sites and is growing rapidly. Charlie Lindsey and Tim Goodwin are aggressively growing this company and it appears that if they continue to use this formula that has been successful so far, that growth will continue. American Club Systems is a shin-

ing example of the professionalization of the health club industry that has been happening in the 1980's and 90's. The ACS team is doing it right and The CLUB INSIDER News wishes them well!



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• An industry legend & president of Club Marketing and Management Services, Mike is one of the leading club marketers in the U.S. He is a contributing author to numerous fitness journals, and is the guest lecturer for such organizations as IHRSA, Club Industry and BodyLife. Mike has been in the club business since 1965, during which time he has been involved in every level of the club operations, including a prestigious stay at the Los Angeles Athletic Club. Along the way he has owned and operated his own clubs. As a consultant, Mike has been involved in the development or management of over 1500 different clubs worldwide. He is quite simply the supreme educator who will transform your approach to club marketing and management.

• You will also have the opportunity to learn from other industry leaders and guest faculty.



Ten Keys To A Perfect Program - But Make It Fun!

By Sandy Coffman

When reading **THE CLUB INSIDER**, I usually flip through the pages, jumping from one article to another. I want to make sure I don't miss any of the educational articles, because, just as in a good seminar or workshop, there is always at least one point in 1000 words that hits home. In most cases, it isn't something totally new or innovative, but rather a reminder of a simple, but important concept that I've either forgotten or neglected to learn in the first place. My office is filled with those highlighted "aha's" that excite me so I'm constantly reminded of the many different aspects of our busi-

ness that we must address every day to keep up with our constantly growing industry.

Secondly, reading the profiles and accomplishments of some of the leaders in our industry is interesting, too. They remind me of how and why this industry got started in the first place. The original vision of the veteran entrepreneurs was to create a business out of basic need using a concept as old as time. That is, to make a profit by organizing recreational exercise activities, present them in a club-like atmosphere, and sell memberships.

It would include leadership. It would incorporate a productive use of energy in a comfortable, social, enjoyable environment. It would be a place where people would set aside time every

week to congregate and recreate. It would be a place to relax, unwind, feed and nurture our physical, social, psychological, and emotional beings. The only requirement was that the weekly experience would be worthwhile and fun. If it was fun, it was worthwhile.

The third area of interest in the Club Insider is "Norm's Notes" - an up-to-the-minute account of anecdotes and happenings reminding me how "alive" and "on the move" our business is.

The thing I like best about the publication, however, is the common thread that runs through the entire paper. The real message that rings true again and again, and gives each aspect of information the meaning to our vision - **MAKE IT FUN!** Why is it so important to repeat it? Because the minute you stop saying it, hearing it, writing it or reading it, you stop doing it. It becomes too easy to forget about.

Let's look at an example.

In the last few months I have visited and presented seminars and workshops to clubs in Germany, the United Kingdom and Australia as well as the U.S. and have found that clubs all over the world have more things in common with one another than differences. For example, many (most) clubs in all four countries are reporting a decline in interest, participation and retention in the aerobics department. I've taken classes and audited programs in several clubs in each of the countries and my first thought is usually, "Gosh, I've been in the industry a long time. I remember when aerobics classes were "fun!" We used to laugh our way through



Sandy Coffman

Let's begin with some basic ingredients to add "fun" to the recipe for a successful program.

a. An open, creative, active mind and attitude

• Your very first observation should be of the instructors. Are THEY having fun? Do they lead a class in chants, sing-alongs, count downs, etc.? Do they actively pursue responses from the back of the class? Do they ever leave the stage or front of the studio to move about and "play" with the participants? If observing all of your instructors, can you answer "yes" to these questions for more than one or two teachers?

b. A fun title

• A "Body Toning Class" or a "H A T Class" (Hips, Abdomen, Thighs)

• "Men's Aerobics" or "The Heart Throbs"

• "Senior Aerobics" or "Fabulous Fifties" (with music to boot!)

c. Themes, games, contests, etc.

• "A Polka Party"

• "Ghost aerobics" or "Ghost busters" - A special Halloween class to music from "Thriller"

d. Costumes, props and promotional gimmicks

• "Crazy Hat Day" - Everyone wears a crazy hat to class - give a prize to each class.

• "Vacation T-Shirt Day" - Everyone wear a T-Shirt from a summer vacation or holiday.

• "Surprise!" A Natural juice popsicle to all participants at the end of class.

e. Special promotions and introductory events

• "A Sneak Preview!" Send out "theater tickets" for a special new start-up class. Charge "admission" for a limited number of participants and serve popcorn and soft drinks to "viewers."

f. A tracking system to give recognition for participation - Most aerobics programs, for example, are run on a "drop-in" basis. No system is in place to monitor who will be there, who will attend or who did not attend. Without this system, recognition for participation is impossible.

The following is a list of ten key points to include in a pro-
 (See Coffman page 20)

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MAKE IT FUN!

StairMaster Successfully Defends Against Infringement Charge

Kirkland, Washington - The United States Court of Appeals for the Federal Circuit recently affirmed the decision by the United States District Court for the Central District of California that StairMaster Sports/Medical Products, L.P. is entitled to Summary Judgment against Evan Flavell with respect to his allegation of patent infringement.

Flavell is the owner of United States Patent No. 4,082,267 on an exercise device. Mr. Flavell licensed the patent to Tru-Trac Therapy Products, Inc. Temecula, California to manufacture and sell its PowerStep and AeroStep stair climbing devices. StairMaster believed that the Tru-Trac devices infringed StairMaster's United States Patent No. 4,708,338 to Lanny Potts and filed suit against Tru-Trac. Flavell and Tru-Trac counter-claimed against StairMaster for infringement of the Flavell patent. StairMaster moved for summary judgment of non-infringement of the Flavell patent. That motion was granted and recently affirmed by the Federal Circuit. The Federal Circuit, on May 24, 1995, denied

Flavell's petition for rehearing of that appeal.

On May 30, 1995, StairMaster's Potts Patent was re-issued as Reissue Patent No.

34959. That patent contains not only the original claims from United States Patent No. 4,708,338, but also broader claims which are directed to stair

climbers of various configurations.

What remains of the StairMaster - Tru-Trac litigation is StairMaster's infringement action

against Tru-Trac, which has been stayed pending Mr. Flavell's appeal. Now that the appeal has been decided, the stay should be lifted and a trial date scheduled.

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—Mike Widener, Owner of Family Fitness, KY

"I have received lots of compliments from the material in the Membership Builder Library. We've used it for our Yellow Pages, club newsletter, bulletin boards and more. The Membership Builder Library has really given us an easy way to look professional. I think it's terrific!"

—Robert Burns, Owner of Shape Up Newport, CA

"The Membership Builder Library is a fantastic resource. This is the best way I've found to instantly create a professional image. Plus, it is cost effective and easy-to-use. I highly recommend it."

—Ray Gordon, Senior Partner of Sales Makers, FL

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RAY WILSON... A Club Legend In His Own Time

A Case Study Of The Family Fitness Centers - PART II

Part I Appeared in the June edition

By Norm Cates, Jr.

FAMILY FITNESS CENTERS ARE BORN

In 1978, Ray Wilson opened the first Family Fitness Center in San Diego expressly for the purpose of having a site to field test the LifeCycle. Since that time he has opened 71 additional locations with 14 in the San Diego area, 47 in Los Angeles, 4 in Las Vegas, 1 in Colorado, 3 in Bakersfield, CA., 1 in Fresno, CA., and 1 in San Jose.

The opening of the first Family Fitness Center for LifeCycle testing triggered a new challenge for Ray which all single club operators face. The challenge was how to successfully penetrate the market without multiple locations to share the cost of mass media. Ray created "lead-boxes" which, by now, have been used by many club operators to generate membership leads. He also began marketing "corporate" memberships, again a pioneering effort. And, of course, he pushed hard for "buddy referrals" within the club which has always been his speciality whenever he personally worked in a club.

Ray Wilson has grown his Southern California-based Family Fitness Center chain by using all of the vast experience he has accumulated over his nearly half-century in the business. He has implemented a well-defined "joint-venture" program for his Family Fitness Center chain which has played a significant part in the growth and development of the business. He states simply, "in my operation, you have got to have a joint-venture to make it work." He uses a simple formula to set up his joint-ventures with his partners. First, in order to qualify for joint-venture ownership, the employee must have been involved in management for at least five years. Ownership however, is based on superior performance more than anything else. The "joint-venture" sharing is structured more or less as follows:

- Qualified Club Managers - Own 10% of the business.

- District Managers - May be involved with up to 3 centers each with a 10% stake owned by the District Manager.

- Regional Managers - Own 29% of the clubs he/she supervises.

- Central Management - Ray's parent companies share amounts to 51%.

THREE KEY INGREDIENTS

Ray believes that three key ingredients are necessary for his joint-venture partners to succeed: they must have guts, drive and be leaders. He laughed when he recounted an experience with his son, Packy, who had opened the Family Fitness Center near the Los Angeles airport about 11 years ago. He recalled that his then 21-year old son came to him and said, "Dad, this situation is really bad." Packy was upset because the club was full of problems and was not performing anywhere near what they had hoped for. Ray encouraged him to stick it out and work through all of the problems, which his son did. Ray told Packy, "you're lucky to have problems of this magnitude. You will overcome them and for the rest of your life, all problems will be easier." Packy now has 8 clubs which he operates very successfully and just like the other Regional Managers, shares in the ownership. Ray Wilson says, "any adversity, if you learn from it, can make life better. As long as you learn, you develop when you go through tough times."

GREAT HOME OFFICE

Without a great home office a multi-club operation will fail. Ray says, "Family Fitness Centers have by far the greatest home office ever achieved in this industry." Ray adds emphatically, "To cover all of the facets of our terrific home office, you would have to write a book."

FINANCIAL CONTROL AND EXPERTISE a.k.a. IVAL McMAINS

In discussing the "joint-venture" program, Ray added, "there was one other impor-

tant part to the Family Fitness Center growth and success, that without that part, I would not have chosen to expand and grow so significantly. That was the presence of a good financial person to help me control and keep track of it all. Ival McMains, the Family Fitness Chief Executive Officer and the new President of the Family Fitness Division of Fitness Holdings, Inc., is the man who provided that skill and leadership." Ray added, "Ival has been instrumental in all of our dealings, including the recent merger with Fitness Holdings, Inc. Some of my managers had been using the services of Ival's accounting firm to do their tax work. I became acquainted with him and in 1988. I asked him to join our company full time. He accepted the offer. He has done a great job and I expect him to continue to do so as President."

Ival McMains has been working with Ray Wilson and Family Fitness since 1980. In 1984, he was invited to serve on the Board of Directors of Wilson's Travelers Finance Company. Commenting about "Mr. Wilson," as McMains calls him, "is a unique, old-styled entrepreneur. He and I share the same obsession, working 70 to 80 hours per week. Unlike some other club operators, Mr. Wilson has never outgrown the "production mentality." Even though he is 67 years old, and has tons of money, he can relate well to the young people at the club level."

In discussing Wilson's sharing, joint-venture policy, McMains comments, "Mr. Wilson is by far the most participatory guy with compensation that I have seen in over 20 years in business. He truly lives with the partnership concept. Since 1980, when I started, even though I am earning far more (ten times) than when I began, Mr. Wilson has never altered my original deal, except for the times when he made it

better for me."

DEDICATED TEAM LOYALTY

The loyalty to Ray expressed by his joint-venture partners is remarkable. Jerry Griffin, one of his Regional Managers, recalls, "Ray recruited me at my wedding reception over 15 years ago! He is fair to us and makes sure that the people in the trenches are rewarded for what they do." Ron Thompson, who has been with Ray and Family Fitness for 17+ years, describes Ray as, "firm, fair and friendly." Ron says, "he is very generous - willing to share - filters the financial rewards throughout the company. He cares and gives a lot to his people. He is a combination of preacher, counselor, psychologist and personal friend, as well as a boss. He is also a man of his word." Larry Gurney, a Regional Manager who has been with Ray for 9 years says, "working with Ray has been a tremendous learning experience.... his ability with people is where he is a master.... he is a great manager and is able to get the most out of people. He is like a father to me.... he kind of adopted me and molded me. Someone could offer me triple the pay I earn now and I wouldn't leave Ray."

Chris Davis has been working with Ray for 27 years with a 4-year lapse along the way. Chris has been instrumental in the build-

ing and management of Ray Wilson's Travelers Finance Company. In the early days, Travelers financed a great deal of the "paper" that Ray's clubs would write. But, those days are gone now and only 5% of Travelers finance is involved with clubs. The Travelers finance company does handle a lot of financing for such businesses as camp ground memberships and equipment leases. In fact, the Family Fitness Center equipment lease packages are provided by Travelers. All of the leases are 36-month leases with the typical Family Fitness Center equipment lease running around \$750,000 per location. So far, they have done \$100,000,000 in equipment leases for their own clubs and they have not ever had one of them fail, nor have they had any delinquencies or losses. Wilson's club deals are carefully crafted to allow the early club space rentals to be low while the equipment leases are paying off. When the equipment lease is paid off, there is a 10% buyout and then the club is set to generate significant profits because the \$20 - \$25,000 per month equipment lease payments are gone. Typically, after this, a high percentage of the club's income becomes profits. When speaking of Ray Wilson, Chris Davis says, "he is the most disciplined person I have ever known. He is very aggressive. And, he is a good family man. Ray works at home, he likes country music. He is always behind his people and gives more than anyone I know."

FRIENDS FROM THE PAST

The positive testimony about Ray Wilson and his contributions to his people and to the club industry are not limited to just his current business associates. For example, Bob Delmonteque, of Malibu, California, one of Ray's partners 40 years ago in the Houston area and now an expert and author of a book on aging entitled: "LIFE-LONG FITNESS" says, "Ray Wilson is one of the TRUE PIONEERS in the health club industry.... he doesn't ever give up.... he (See Ray Wilson page 24)



Family Fitness Reception Lobby
Rancho Santa Margarita, California

AMERICA'S HEALTHIEST COMPANIES

By Shawn Tully

Deep in the Louisiana bayou, a team of leathery pipeline workers - of all people - celebrate the rigors of healthy living. A few years ago the 14 men operating a 22-acre natural gas platform in the Gulf of Mexico near the Cajun town of Cocodrie shared a sedentary, glutinous existence. At work they gorged on deep-fried crawfish or spicy, sausage-laced gumbos, topped off by slabs of cheesecake. Chefs risked getting fired for holding the Tabasco or serving anything too healthy, like an overdose of vegetables. Quips Gerald Thurston, a Tenneco manager who supervises the platform: "The attitude was, the more you eat, the more you earn."

Workers regularly added five pounds a year; you could judge their age by the size of their bellies, like counting the rings on trees. By 1989, ten had dangerously high cholesterol. Fearing a medical time bomb, Tenneco began hounding employees to get healthy. Today, it helicopters in nurses about twice a year to conduct tests and dispense advice. It presses physicians to set up frequent appointments with each man. Employees fill their plates with baked chicken and salad prepared by Tenneco's hand-picked caterer and pump iron in a well-equipped fitness area. The five fattest employees have lost an average of 26 pounds each since 1989. Though half the workers are over 45, not one has suffered from heart problems.

By turning a gaggle of coronary candidates into a relatively fit, diet-conscious crew, Tenneco is doing more than saving lives. It and growing numbers of other companies now understand that it pays to keep workers healthy. Recent studies show that for every dollar invested in preventive health care programs like Tenneco's, a company can save as much as six dollars in insurance costs. Johnson & Johnson, for instance, which spends about \$4.5 million a year on preventive health care programs, estimates its medical bills would be higher by \$13 million a year (or 300% without its wellness program).

This campaign against illness marks a crucial second phase in corporate America's war on medical costs. The first was the shift over the past few years to managed care. By pushing down prices and cutting unnecessary procedures, HMOs are slowing the rise in the gargantuan

\$236-billion health care bill that's whacking companies competitiveness. The second and newest phase is improving employees' health habits so there's less chance they'll get sick to begin with. "Companies face a huge potential liability for high-risk workers who are likely to be tomorrow's cardiac or cancer victims," says Carson Beadle, a managing director at William M. Mercer, a consulting firm specializing in health care. "By helping employees change now, companies can hold down those future costs."

Health promotion is growing so fast that it now awards Oscars for wellness. Each year the Health Project, a nonprofit group of 55 executives, labor leaders, professors and government officials, honors the nation's best health promotion programs with the C. Everett Koop National Health Award. Named for the former Surgeon General, (who's also a member of the panel), the prize has gone to companies like Union Pacific, Dow Chemical and L.L. Bean. Over the past three years the contest has attracted more than 200 candidates as varied as IBM, Coca-Cola and General Electric. Since 1992 the Health Project has picked 12 Koop winners that still have model programs. Together, they form Fortune's list of America's Healthiest Companies.

As the roster shows, health promotion works in a wide variety of industries. Naturally, savings aren't quite as high for financial service or software companies, whose employees are a lot younger and healthier than the aging laborers in railroads or steel. Yet whatever the profile - thirtysomethings or veterans, telephone marketers or trainmen - the pay back can be large. Healthier workers run up fewer medical bills; they also work harder and take fewer sick days.

This new move toward healthier employees goes far beyond corporate fitness centers and antismoking seminars. The Koop winners relentlessly monitor and manage their workers' health, focusing on two main strategies: prevention and early detection. Preventing disease means finding employees who have the highest risk of developing a serious illness and getting them to break their bad habits before it's too late. For most companies, 10% of employees account for more

than 80% of medical costs, which now average \$3,781 per employee. Increasingly, corporations conduct broad screenings, using voluntary questionnaires and tests to identify the smokers, beer abusers, couch potatoes and bingers who suffer most of the costly calamities like cancer, heart attacks and underweight babies.

The second strategy is early detection. By conducting mammographies at the office - or reimbursing exams and annual checkups - companies catch breast or prostate cancers while they're still relatively inexpensive to treat with quick, simple surgery costing less than \$15,000 or drug treatment that's even less expensive. In the advanced stages, such diseases can run \$40,000 or more for multiple operations and intensive chemotherapy.

Wait a minute. Why aren't the HMOs taking care of prevention? Isn't their trademark keeping people healthy? Unfortunately, most HMOs - despite their extravagant claims - don't

pinpoint who's likely to get sick. Nor do they systematically pursue high-risk patients to improve their lifestyles. "Since HMO physicians get a fixed payment per person under capitation, many of them want to see people as little as possible," says Dr. Kenneth Wells, Tenneco's medical director. So keeping people well falls by default to employers. Many workers are understandably queasy about divulging medical secrets to their companies, who they fear will fire the high-risk workers or browbeat them into dropping bad habits. Never mind that doing either is illegal under federal employment laws.

For health promotion to work, companies must put employees at ease. The Koop winners emphasize that participation is strictly voluntary. Many hire outside firms to do the testing and counseling. Often no one at the client company even knows who the high-risk people are.

Truth is, most compa-

nies find that employees jump at the opportunity for help. At Steelcase, for instance, Carol Lindsey, 32, an employee benefits assistant, enthusiastically joined the office furniture maker's wellness program. Five years ago she smoked, gorged on nachos and dip, never exercised, and suffered severe stress from working while raising two boys. Her health risk exam showed a high likelihood of heart disease - the illness that killed her father. "I didn't want to end up like my dad," says Lindsey. "I need to be here for my kids." Today, Lindsey dines on fish and fruits and religiously does water aerobics and runs on the treadmill. She has lost 22 pounds and thrown away the cigarettes.

One of the biggest health challenges facing companies is finding the high-risk people in their organization. It isn't easy. Many don't even realize their health is deteriorating. Smart companies, like Steelcase in Grand Rapids, use sophisticated screening processes that uncover disasters waiting to happen. (See *Healthy Companies* page 26)

Winning Health Care Programs

Each year, the C. Everett Koop National Health Awards honor companies with America's best wellness programs. The 12 recent winners below were chosen because their plans offered a range of services and generated the biggest savings.

Five sumptuous fitness centers

Aetna - Aetna boasts five state-of-the-art health clubs with 7,600 enrollees. Workout machines pay big dividends: Exercisers cost \$282 less per/yr. than couch potatoes.

Mail - order giant offers a reward

L.L.Bean - L.L. Bean pays up to \$200 to employees whose families quit smoking or take prenatal classes. Result: Its annual premiums are \$2,000 per worker, half the national average.

No deductible Champion

Champion - Champion's 18,000 mill workers pay no deductible on a host of preventive exams & immunizations. The payoff is big savings from early detection of cancer or diabetes.

Bonuses for healthy habits

Coors - Coors pays bonuses for healthy habits. Employees can use the award - a maximum of \$500 per family - to buy extra holidays or pay for financial planning.

Minimizing injuries

Dow - Dow's Back in Action program encourages exercise, dieting and ergonomics. The company has decreased on-the-job strains and sprains up to 90%.

An apostle of prevention

Du Pont - Du Pont budgets \$20 million a year to furnish tests and check-ups for employees. The free treatment includes frequent mammographies and flu shots.

A world of women healthy

First Chicago Corporation - Serving a largely female work force, First Chicago pays for about 800 deliveries a year. Coaching pregnant women has drastically reduced C-sections and underweight babies.

Take baby to the doctor

Johnson & Johnson - At J & J, employees can bring their infants in for free tests and check-

ups six times annually. Prevention saves \$13 million a year.

Jogging for dollars

Quaker - Quaker grants bonuses of as much as \$500 for families who exercise, shun smoking and wear seat belts. Employees can keep the money or invest in added benefits.

Making employees safe and healthy

Steelcase - Steelcase tested 4,000 workers for everything from seat-belt use to cholesterol. By promoting healthy lifestyles, the furniture maker should save \$20 million over ten years.

Shrinking waistlines

Tenneco - Tenneco is prodding its 1,500 hungry pipeline workers to eat healthily. Waistlines and costs are shrinking as chicken and grapes replace gumbo and cheesecake.

Stubborn & secretive workers

Union Pacific Corporation - UP motivates stubborn, secretive workers to talk about their health risks and change their habits. Its \$1.2 million-a-year investment in wellness programs generates a 3-to-1 return.

The Senior Market: The Future Is Now!

By James M. Evans

While the population in the United States is growing older, much of the fitness industry is still catering to a younger market. While there are signs that the industry is beginning to awaken to the "graying of America," the time to respond is now - not later. But what can we do to specifically attract the senior market? Let's explore some ideas.

• HIRE SENIOR CITIZENS: Many of the early employees who came up through the ranks of the fitness industry in its infancy have left the business. Others have advanced to ownership or upper-level management positions and no longer have the same intimate contact with members that they once

did. Consequently, most fitness employees are young—particularly those at the grassroots level who are working with our members on a day-to-day basis. These youngsters are smart and, in most cases, better educated than their predecessors, but they are young, nevertheless.

Imagine how you would feel if you entered a health club to inquire about membership and all of the employees were young enough to be your children, or worse, your grandchildren. The facilities and services might be everything that you were looking for, but you would probably feel uncomfortable because of the age discrepancy. Even the presence of a single elderly employee on your staff could make the difference in the way in which your organization is perceived by the

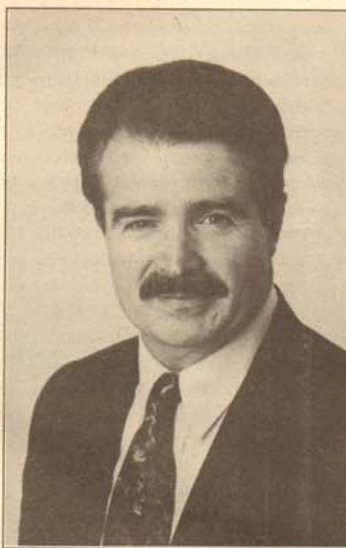
senior market.

There is a vast wealth of senior citizens in every community, and they represent an untapped resource for employment in our industry. Many have been successful business men and women before retirement and can bring many different skills to the table. They can be great mentors for our younger employees too - not so much from the standpoint of education of the specialized knowledge which is becoming more critical to our trade, but rather, from the perspective of people skills which usually come from just living to a certain age. And they are themselves energized by the life and vitality of our young people. It's a good mix.

Many seniors are seeking part-time employment to supplement their retirement income, and they usually bring with them a strong work ethic. Walmart was one of the first companies to tap into the senior market by hiring part-time greeters, and it is a decision they have never regretted. McDonalds, too, has benefited by providing employment opportunities for seniors. The blending of different generations in the workplace is healthy and profitable, and it can work for us too.

• GET INVOLVED IN YOUR COMMUNITY: Most seniors have learned the importance of volunteerism a long time ago, and they will generally be more receptive to both you and your club if they feel that you are giving something of yourself back to the community. Become a member of your local Elks, Lions, Kiwanis, or Rotary Club; join the Jaycees; help with a local charity fund-raiser; enroll your business as a member of the local Chamber of Commerce (and become an active, participating member). Don't get so wrapped up in your work that you lose sight of what is happening around you outside the four walls of your club. Your work is not as important to everyone else as it is to you. Seniors have already been down that road before, and while they will appreciate your dedication to your work, they will appreciate even more your commitment to something other than yourself and your business. Sharing with and participating in your community is never outmoded.

• SCHEDULE NON-PRIME TIME ACTIVITIES FOR



James M. Evans

THE SENIORS: There is a definitive traffic pattern in most health clubs. There is usually the early bird crowd in the morning, the lunchtime crowd at noon and the after-work crowd in the late afternoon or early evening or some variation thereof. What we strive for, of course, is consistent traffic all day long, and seniors can help to fill the normally slower times during the day. Remember, seniors are not tied to a set schedule like the rest of the world - their time is their own.

By planning activities and events in your club which are geared specifically to the senior population at times when you are normally slow, you can increase your overall traffic and revenues at the same time. Seniors will appreciate the opportunity to use your facilities without being rushed to use the equipment (which is so often the feeling during your primetime hours) and when they can socialize with their peers in a non-competitive atmosphere. Non-primetime scheduling also allows your staff to devote more time to your senior members and cater to some of their specific needs which might be different from those of your general membership.

• USE CREATIVE PROGRAMMING: Programming for seniors is a challenge because while educating them about how to exercise and enjoy a healthier lifestyle might be OUR objective in attracting them to our facilities, they might have an entirely different agenda. Some of them might simply enjoy the social contact with their friends. Some might just like to relax and enjoy your spa amenities. Their particular agenda is usually not as well defined as ours.

Unfortunately many seniors are afraid of health clubs be-

cause of painful physical limitations. Some are reluctant to attend because they are self-conscious about their weight or physical appearance. Still others are embarrassed by their lack of exercise experience and are intimidated by the new and modern exercise equipment.

The challenge for us as fitness professionals is to overcome these obstacles and attract seniors by appealing to their interests on a different plain. Offer seminars and workshops on self-defense, investments, weight loss, arthritis, stress management, cooking and other such topics. Hold a dance club for seniors in the community regardless of whether or not they are members of your club. Contact your local hospital or medical center and arrange to give flu shots at your club once or twice a year for seniors. In other words, encourage seniors to visit your club for reasons other than just exercise and fitness. Use the back door approach and expose them to your facilities in a different context, and they will be more amenable to the more traditional things that you have to offer.

The senior market should be an important consideration for every health club now and in the future. Growing older does not have the same negative connotation that it had a generation ago. People are living longer and enjoying a better quality of life than ever before, and they have more leisure time on their hands to enjoy different interest in their retirement. The fitness industry can contribute to that end by exploring new ways to appeal to our changing... and aging... world.

(Jim Evans is Executive Director of Heartland Health Center in Boone, Iowa, a 28-year veteran of the fitness industry, and a charter member of the Natural Bodybuilding Hall of Fame. Heartland is the largest hospital-owned, health and wellness center in Iowa and boasts a membership base of 4,200 in a largely senior population of just 12,000. The Center has seen an increase in enrollment of almost 31% during the past twelve months by expanding its senior programming and community involvement. Jim is one of our new contributing writers and The CLUB INSIDER News wishes to extend our sincere thanks to him for contributing this article.)

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Famous John Wayne Tennis Club Is Sold

By Norm Cates, Jr.

Ken Stuart was a Southern California kid who grew up in El Monte, California, a non-tennis area. He got involved in tennis as a freshman in high school, enrolling in a tennis-physical education class. By his sophomore year, he was a California State Champion in doubles. He and his partner also won the State Championship in doubles when he was a Senior in high school. Graduating from high school in 1961, he was offered only one college athletic scholarship - in basketball! Instead, he enrolled in junior college and joined the tennis team. By his sophomore year in junior college, he had 18 to 20 tennis scholarship offers! He chose to go to California State Long Beach. In his two years there, he was the Western Conference Tennis Champion his Junior and Senior years and the NCAA Division II Champion in doubles in 1966!

Upon graduation from college, the only thing he wanted to do was to teach, so he obtained his graduate degree in education. He then took a job at Costa Mesa High School where for two years he taught history and coached basketball and tennis. In 1968, a California pro tennis circuit called "Open Tennis" was started. This circuit provided prize money and Ken was able to earn as much money in one week as he would earn in a full year as a high school teacher, so he left teaching and played on the pro circuit in 1968, '69 and '70. In 1972, he started his own business, a tennis program for a chain of apartment complexes. He began with one location in exchange for the rent on his apartment. Soon, he was running the apartment chain's entire tennis program with 7 tennis pros under his direction.

In 1973, it was announced that a new tennis club was going to be built in Newport Beach, California, called the John Wayne Tennis Center. There was a lot of local publicity about the search for the tennis pro for the new club....with most of the press about the various tennis pro candidates that had been turned down. Before the club was even built, Ken received a telephone call from a representative for the John Wayne Tennis Club developer who wanted Ken to apply for the tennis pro job. Ken recounts that his first interview

with this developer lasted 7 1/2 hours! After a while, Ken began working for the developer one day a week while they were designing and planning the facility. After six months, the developer gave Ken the job. But, the "job" turned out to be THREE jobs.... general manager..... head tennis pro..... and head of tennis programming! Needless to say, at age 29, this young tennis pro had to learn a lot very quickly as the John Wayne Tennis Club opened in 1974. In 1978, Ken resigned from his job. This was his THIRD resignation.... citing "differences" and "principle" as the primary reasons for his departure. In '79, he took a job as an oil refining business salesman. In 1983, he became a design consultant for new clubs.

In 1984, the club

founder sold John Wayne Tennis Club to a developer who was financially over extended. The bank foreclosed on the developer a few months after he bought the club from the founder. The bank ran the club for several years only to lose the club to an insurance company. It seems the developer had used the club as collateral for two different financial institutions. The insurance company put in a manager and ran the club for several years with very little success. In 1989, Cecil Spearman bought the club for 45% of the price the developer paid in 1984.

Cecil assumed direct control of management of the club in August 1989. The mem-

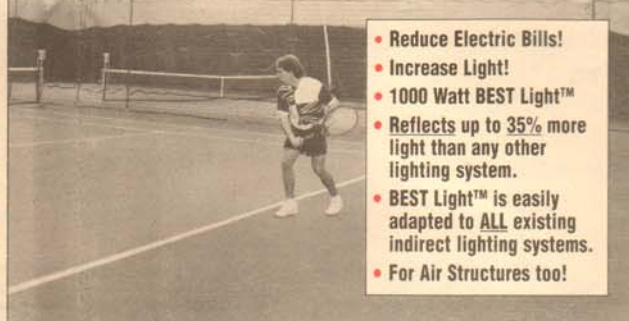


Ken Stuart

bership grew sharply under Cecil's management and the club enjoyed

great success during the first 18 months that Spearman Industries owned the club and Cecil personally operated the club as General Manager. In January 1991, a new Pro/Manager was installed. This management structure was a big mistake and after two years of operation under a Pro/Manager, the membership started to decline. The drop in membership was gradual at first, but in 1994, the membership really slipped and at one time was down by 35%. The membership decline put pressure on profit. A new manager who did not teach tennis was installed and membership started to grow again. Cecil decided in 1994 that the club needed a "hands on" owner/ (See *Stuart* page 30)

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Fitness Center Expands With Medical Approach

By Chris Lipka

Opening an outpatient rehabilitation facility had been on Dorothy Ison's personal agenda for several years.

The health-minded owner of Atlantic Nautilus fitness center in Merritt Island, Florida at first looked to area health care organizations for sponsorship. However, when she faced the fact that she already had all the resources she needed and was really looking for "someone else" to take responsibility, she decided to take on the venture by herself, she said.

The result is the Florida Sports Medicine and Orthopaedic Center of Brevard, which opened earlier this year. Specializing in rehabilitation of sports injuries, particularly those of the back and neck, the Center treats patients by physician prescription, primarily orthopaedic surgeons and neurologists. The 800 square-foot center, newly decorated in gray, blueberry and mauve furnishings, replaced a racquetball court inside Atlantic Nautilus. Gleaming, just as you walk in the remodeled area, are Med X Cervical Extension and Lumbar Extension machines, which Ison considers the key to her

staff's unique program. The pair of machines link rehabilitation exercises to computers that monitor and analyze range of motion and muscle strength.

The MedX line was created by the inventor of Nautilus weight machines, Arthur Jones, who turned his vision to the rehabilitation field in the mid 1980's. "MedX machines freeze you so tightly in position that you can't move any other muscles than the ones you came to strengthen," said Ison.

"The most appealing figure of the showcase extension machines are the computer graphics and printouts that yield "meaningful information" for the therapist, the prescribing physician, and the patient", she said. "Insurance companies also appreciate technology that makes it easier to measure and track a patient's injuries and recovery," added Ison.

"We've had tremendous response from the rehabilitation nurses (associated with health insurance companies) in the Orlando area," she said.

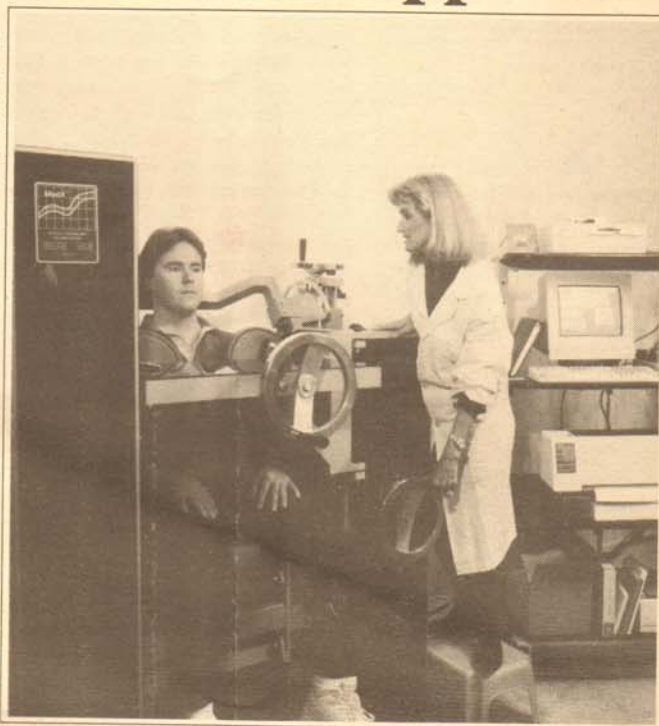
In addition to the computer-linked extension machines, the Center also houses five other models of MedX machines for progressive resistive exercises.

The orthopaedic center

is staffed with two licensed physical therapists, one full-time (Michael J. Rourke, M.S.,P.T.) and one part-time (Donna McLaughlin,P.T.). Therapists are given the use of all of the other resources in the surrounding 17,000 square-foot Atlantic Nautilus facilities, including 40 other MedX exercise machines, newer model Nautilus machines, whirlpool, steam bath, sauna, and pool, as needed, for a total body rehabilitation program. The center also lists the services of a consulting psychologist, insurance claims specialist, dietician, physical therapy assistant, and personal trainers.

"Graduate" patients of Florida Sports Medicine & Orthopaedic Center of Brevard are offered an add-on free months use of the Nautilus Center, and Ison encourages their insurance companies to buy them memberships so they will stay fit after rehabilitation.

"Response has been "way more than we expected", enough so that overhead was covered in the first two months," said Ison.



MedX Clinic

Ison did not rely on formal market research in deciding to enter the rehabilitation field, but on her observations of 24 years in the fitness business.

"Fitness and wellness are the same," believes Ison, whose zealotness in preaching the benefits of regular workouts is hard to suppress. "You must make time for yourself, and then plan everything else around your workouts....over and over again, I've seen people make tremendous changes in themselves," said Ison, who says she gets in her own workouts at 6 a.m. despite a hectic schedule.

In preparing to offer rehabilitation, she and her staff studied an associate center of the same name in Gainesville, Florida, which has operated for the last eight years. The orthopaedic segment of the club, owned and operated by 20+ year-club veteran, Joe Cirulli, generates over \$1 million per year she says. And, they bring 85% of their low back pain patients back to wellness.

She points to patient Marty Castleton as an example of the effectiveness of the approach. Castleton confirmed that he told staff that he has sought relief at a minimum of three other places before seeing results at the Merritt Island Florida Sports Medicine Center.

Based on initial response to the new Center, Ison said, she is planning to expand rehabilitation facilities into her other Nautilus centers in Titusville and Cocoa Beach as well.

(Arthur Jones' MedX Corporation offers a free-one day seminar which provides professionals in rehabilitation and fitness with the opportunity to investigate first hand and in-depth, the entire MedX program. To check the schedule for the MedX seminars, contact Jim Flanagan of MedX at (800) 582-9771.)

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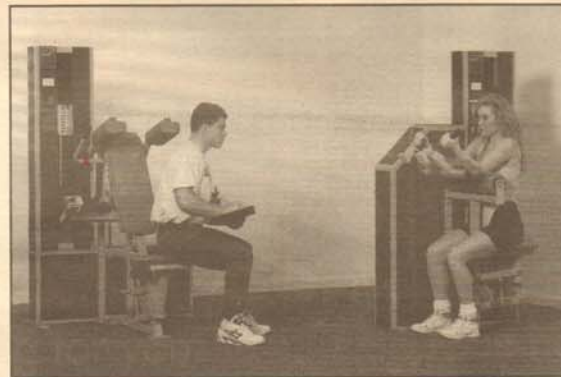
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The lushly-landscaped villa includes an oversized deck with swimming pool and waterfall. There is also a spectacular great room with 32-foot ceilings, TV, VCR stereo and air-conditioning. Guests at the villa also have use of the amenities at the nearby Ocotal Resort Hotel, which includes three swimming pools, tennis, scuba diving, snorkeling, beach and health club.

Also available are the world's best sports fishing for marlin and sails, rain forest, volcano and giant sea turtle tours, birdwatching, horseback riding, whitewater rafting and various other nature tours.

An all-inclusive plan provides all your food and drink (an open bar) during your stay at Villa Papagayo. The staff is there to provide for your every need and you will enjoy daily wonderful meals of fresh seafood, fresh vegetables and fruits like you've never tasted before. The villa is ideal for parties of four, six or eight persons. Beds can be arranged as kingsize or single for your personal needs.



Those who have seen the view from Villa de Papagayo call it one of the most spectacular in the world. With parrots and monkeys in nearby trees one soon realizes he or she is in a nature's paradise.



The great room has spectacular 32-foot ceiling, French doors opening to the ocean, a catwalk with spectacular views, television, VCR and stereo.

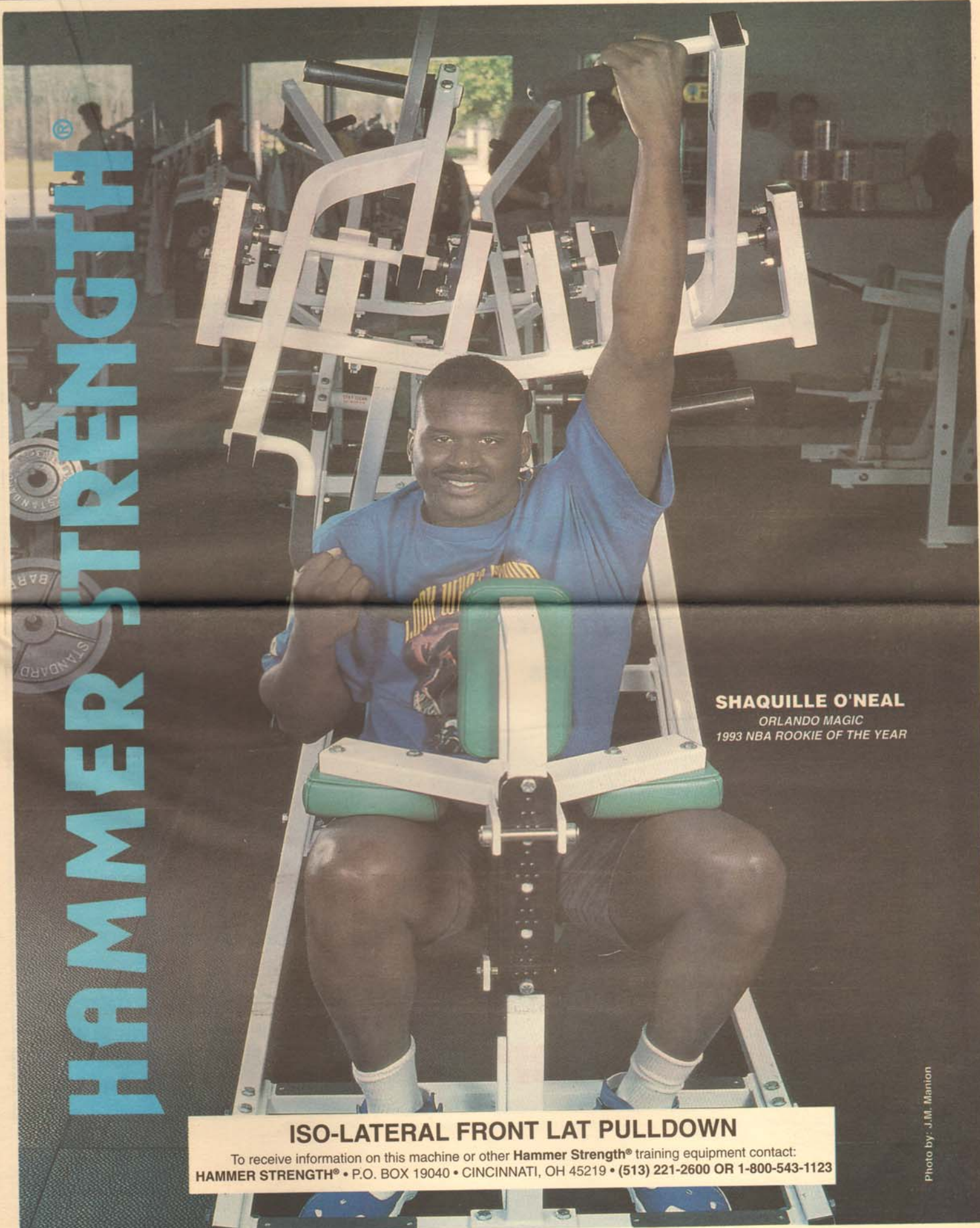


The villa has four bedrooms, including three master suites with ocean views, private terraces, air conditioning, overhead fans and full baths. A fourth bedroom has a full bath and bunkbed.



Villa de Papagayo's giant terrace overlooks the Pacific Ocean and includes a pool with swim-up bar, waterfall and rancho. In the evening guests dine outside under the stars.

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Beware Of The PR Vacuum

By Michael Hoffman

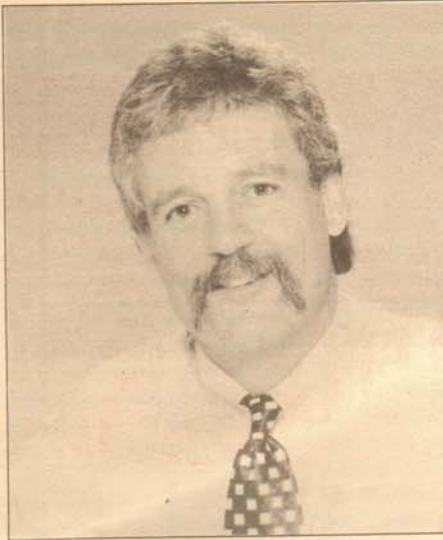
It has always confused me why more clubs don't regularly fund and aggressively manage public relations programs. Maybe it stymies me because I am a PR professional by vocation and by personal passion, but when you examine the arguments in favor of Public Relations, you have to admit - it makes as much or even more sense than advertising. If my comments which follow seem over-bold or even critical, please forgive my fervor, but do not forget my message. A quality PR program can improve the way you do business forever, if you will just take the time to learn a few new skills.

The reasons more clubs don't do PR are simple, but surprising, when you remember that we are a family of successful business professionals. We pride ourselves on keeping up to speed on hot new trends in marketing, but we fall down when it comes to powerful media relations. As a first step to overcoming this chink in our communications armor, let's examine the four most common reasons clubs don't do PR. You will be surprised. An action suggestion follows each reason.

• REASON #1 - PUBLIC RELATIONS IS A SPECIALIZED SKILL

Most club operators think programming and financial management are their most important skills. They normally have an education base in business and/or exercise, and this is where they put their attention and effort. Marketing communications, of which PR is THE most critical component, usually gets relegated to a second priority position. A recent Heart Communications telephone survey of 100 metropolitan U.S. clubs revealed that only 5 marketing directors had formal PR education. Few marketing directors are skilled, experienced writers; it's not been part of their job description. The marketing directors also lack experience dealing with the print and broadcast news media. Again, not a part of their job description, nor a required skill for securing a position.

While the marketing directors are usually strong social networkers, they are often ill-equipped at structuring and executing a formal media and public af-



Michael Hoffman

fairs campaign. Since people tend to do most what they do best, club marketers rely on advertising and occasional co-sponsored special events to create their club's public image.

ACTION SUGGESTION #1 - Take PR classes or hire reputed consultants to teach you the media and community affairs skills that successful politicians, celebrities and cause-related companies have used to boost their images.

• REASON #2 - PR IS A PROCESS, NOT AN IMMEDIATE FIX.

When you place a radio, TV, magazine or newspaper ad, you get immediate results. People who see your action-oriented messages usually react promptly (within 30 days) and come in to purchase the product or service you promote. Too often, they respond to a money-saving bargain or a limited-time-only type of pitch. They respond for the "deal", not necessarily because of anything substantive about your club.

The reverse is true when a PR story appears in the media. Take, for example, a human interest story about how one of your trainers helped a middle-aged adult with multiple sclerosis learn to exercise and regain a modicum of health and an improvement in self confidence. Then, a month or so later, another story appears about a public service project you conducted, where you administered free VO2 max tests for walk-in guests. Still later, a story appears about your policy of hiring only certified trainers, certifica-

tion being a new worldwide trend in quality health club service. Neither of these three stories will necessarily result in prospects walking into your club. BUT, over time, a constant flow of media stories will affect how the public perceives your business. They will remember how many times they have read about you before, or seen you on TV, and they will de-

velop an attitude of respect for your club. Then, when they see your advertising, they will know it comes from a credible, respectable business that has enough clout to deserve media attention. And you will have established a competitive edge over other clubs who have no media presence.

ACTION SUGGESTION #2 - Prepare an annual calendar of media stories, as frequently as six times a year. Make sure the stories have value for the public. Consider topics such as fitness equipment technology, human interest success stories and public education projects. Prepare your news stories with as much care as you prepare and place your advertising.

• REASON #3 - THE MEDIA CAN BE INTIMIDATING

No doubt about it, there is nobody quite as sharp-tongued and acerbic as a reporter who has been interrupted in the middle of a busy work day by an ill-prepared PR person trying to pitch a news story of no special interest. Reporter's schedules are pressure filled and hectic, because they are responsible for providing their readers and viewers news that is timely, critical and/or useful in improving the quality of life.

They deal with constant deadlines, the pressure of readers' opinions and editorial directors who continually scrutinize the quality of their work. As a result, they sometimes develop a no-nonsense, curt and occasionally abrupt demeanor - which can be misinterpreted as a lack of interest in what you have to say. All it

takes to destroy your PR confidence completely is to have a reporter abruptly tell you they have absolutely no interest in your story. One or two tough refusals are enough to make all but the most dedicated PR people wince and shy away.

ACTION SUGGESTION #3 - Get to know your media contacts. Read their columns, watch their shows and understand what types of stories they favor before you make your pitch. Check that you spell their name and title correctly and that they have not done a story just like yours recently. Show respect for their need to provide unique news stories and you will be surprised how quickly a hard-edge journalist becomes your friend and ally.

• REASON #4 - JOURNALISTS LACK TECHNICAL INFORMATION

The fitness industry is evolving so fast, most reporters cannot keep up with it. There is so much new and complex technology involved with new equipment and training programs, that even strong club operators sometimes get confused. Imagine how difficult it is for a journalist, who is probably educated in English, journalism, publishing or broadcasting - not club management or exercise physiology - to learn and decipher what is important in fitness science news!

Too frequently, fitness stories on radio and TV gloss over details and instead focus on trendy (See Hoffman page 30)

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Healthworks To Open Fourth Location

Boston, Ma. - Healthworks, one of the nation's premier women's health club organizations, will open its fourth and newest Fitness Center for Women this fall in Boston's Back Bay. At 35,000 Square-feet, the facility will be the largest of its kind in Boston and will

offer a wide variety of fitness equipment and classes, serving females living and working in Boston.

"The new club will be an oasis of health and fitness in the hectic life of the urban woman," says Hannah Karass, the company's general manager. A long-time leader in the health and

fitness center industry, Healthworks has 9,000 members at its three other Boston area locations. Healthworks has built a strong reputation for quality fitness services as well as community involvement.

The new downtown club, conveniently located in the Back Bay area of Boston, will

further that reputation. The center will feature the largest aerobics floor of any club in the area, over 100 pieces of cardiovascular and strength equipment, luxurious locker rooms and spa facilities, as well as a retail store and cafe. Over 3,000 members are expected to join the center in the first year.

Healthworks opened its

first fitness center in Salem, Mass. in 1976 to meet the needs of health-conscious women in the area. It quickly built a reputation as one of the strongest health and fitness centers for women-only in the Boston area and expanded into Cambridge and later Brookline. Healthworks actively supports women's issues through events and program.

...Coffman

continued from page 8

professionally designed program. Use them as a guide to your programming plans.

1. A PERSONAL INVITATION - A personal invitation says we care. Everyone

wants to be needed and everyone needs to be wanted. In order to assure your member the individuality he/she needs, (you) the leader, must personally invite a member to be part of the program. You must regard a program at your club as a party you give at your home. You are the host or hostess, and each "guest" receives a personal invitation.

2. AN EMPATHETIC, ENERGETIC, ENTHUSIASTIC LEADER - The majority of your members joined your club because they need a sense of belonging, direction, and leadership. They need to trust a "teacher," someone who will take charge and create a comfortable, enjoyable environment. No matter how great the program, the key to participation is the leader who is willing to establish a relationship with the member and take charge. The leader must ask your members for participation, then tell them what to do, how to do it and when to be there, and tell them that they did a "good job."

3. A SPECIFIC SCHEDULE - Members want to get on a regular exercise program - something they have tried to do by themselves and have failed. If you set up a program at a specific time and day of the week, your members will include the class or program in their personal schedule as a daily or weekly routine. (This point should apply to programs in the fitness centers and gyms, too.) They become committed to a schedule as well as the group. This also allows the instructor to track who is coming regularly and who has dropped out.

4. GROUP PARTICIPATION - People "join" a club to unite and come together with other people like themselves, with similar interests, skill levels, schedules, personalities and life styles. The majority of your members "join" a club for sociability and camaraderie. A program that is set up with this principle in mind will find that members will become committed to each other and therefore, to your program and your club.

5. FUN! - WOW! Here it is! Right smack dab in the middle of the list. Again, it's the common thread that ties all of the other rules together. With it, the

program will be powerful, productive, and profitable. Without it, the program will be just another workout. The group must be compatible, the leader must be knowledgeable, empathetic, and energetic, and the program or activity itself must be "FUN!" The majority of your members know they need exercise and fitness but do not find enjoyment in working out themselves. The sign of a successful program is one that finds laughter among its participants..... and a sense of humor within the leadership.

6. SOCIABILITY - The key to a successful club is camaraderie and sociability. Group participation and fun are the key ingredients in a social atmosphere. The underlying basis and need for joining a club is to make and enjoy friends within a healthy environment. The trained leader must know how to establish and direct a program that promotes camaraderie and sociability among the participants. Your member's social experience may be the key factor to his or her return.

7. RECOGNITION - People who participate in programs need to be recognized for their personal achievement. Recognition does not have to be costly, or grand. It merely must include an appreciation of the member's participation. A handshake, a ribbon, a snapshot, a sincere "Thank You" can often be as effective as a trophy or a T-shirt.

8. EXCLUSIVITY - The perfect program is not based on numbers, it is based on names. Everyone wants to be identified as someone special. No one joined your club to be one of 1,000 or 2,000 people. They joined your club to be one of 5 or 10 or 20 - a club within a club - designed "exclusively" for them. They will begin the activity with a positive attitude rather than with apprehension.

9. FOLLOW UP PROGRAM - The goal of programming is retention. The perfect programming calendar should include sev-

eral types of programs to fulfill the immediate need or desire. The new member, for example, should be able to begin with an introductory program and move on to an instructional program or an involvement program such as a league, a contest, or a session of classes.

10. PROMOTION - The promotional materials - posters, flyers, newsletters - should answer all of the basic questions - What, Where, When, Why, for Whom and How Much? A good promotion should be out three weeks prior to an event in order to allow enough time for your members to adjust their personal schedules to your program. The idea of the promotion is to give your members the opportunity of selling themselves on the program. If this is done, the personal invitation is the final step in your promotion and is more likely to result in a commitment.

Note that the final step in your promotion is the first step in creating a perfect program. The cycle is repeated over and over. A system is established.

A professional programming plan includes promotional schemes, marketing techniques and selling tools, but the complete package must include FUN.

I recently read that a good hearty laugh (100 "Ha-Ha"s a day) is worth 10 minutes on the rower. Now, that's what I call "cross-training!"

(Sandy Coffman is the President of Programming For Profit, a Milwaukee, Wisconsin-based programming and club consulting firm. She is unarguably the "Dean" of programming in the health and fitness world today. I first attended Sandy's two-day programming seminar in 1978 at Ted Torcivia's club in West Allis, Wisconsin and found it to be tremendously helpful. Her article is right on target and supports all of the reasons I publish my little "MAKE IT FUN!" ads every month in The CLUB INSIDER! Thanks Sandy! Sandy may be reached at (414) 782-5490.)



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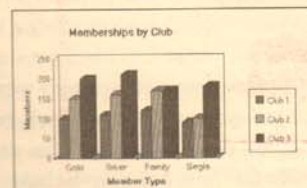
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Making A Difference In America... Ken Germano's OPERATION FITKIDS, Inc.

By Norm Cates, Jr.

OPERATION FITKIDS was founded and is directed by Ken Germano, Vice President of Sales for Cross Conditioning Systems and former member of the Italian Olympic Baseball Team. FITKIDS was created to enhance our nation's dwindling physical education programs underscoring the fitness training of America's youth.

In 1990 when President Bush appointed Arnold Schwarzenegger as Chairman of the President's Council on Physical Fitness and Sports, a challenge was issued to corporations throughout the U.S. to work together to promote active muscles and active minds as an alternative to destructive activities like

drug abuse and gangs. OPERATION FITKIDS was first to answer the call. Ken Germano used his many contacts and years in the fitness industry to acquire initial equipment donations from such industry giants as L.A. Fitness, Bally's Total Fitness and CYBEX. In 1993, the Operation FITKIDS consortium of Nautilus, StarTrac by Unisen, Stairmaster Sports Medicine and The STEP Company was formed to take the program nationally. New partnerships have been formed in 1995 with IDEA, Inc., and the INNER CITY GAMES, Inc. for a scheduled national rollout.

Since its inception in 1991, OPERATION FITKIDS has been making a positive impact on our nation's youth through its donations of commercial exercise equipment. As OPERATION FITKIDS continues to expand, it has donated approximately \$3 mil-



Ken Germano And FITKIDS Associates

lion in commercial exercise equipment to establish facilities

in Los Angeles, San Diego, Houston, Chicago, New York, Portland, Texas, New Mexico, New Jersey and Arizona.

Working closely with the National Association of Governor's Councils for Physical Fitness & Sports, OPERATION FITKIDS has supported initiatives established by Jeff Sunderlin, Executive Director, Illinois Council, and John Cates, Executive Director, California and Western States councils. OPERATION FITKIDS has also directly supported the F.I.T., Fitness Intervention Training curriculum of Dr. Thomas Collingwood and PATH Program, Physical Activity and Teenage Health by Dr. Paul Fardy, Queens College, New York City. Projects for 1994 included the first inner-city gyms in Los Angeles, in conjunction with Rebuild L.A. and the Hoover Street Gym, as well as, the Boys and Girls Club of Newark, N.J., with actor/comedian Joe Piscopo and the Amelior Foundation. For 1995, the INNER CITY GAMES will move nationally as a partner with FITKIDS. IDEA, Inc. has chosen OPERATION FITKIDS as the cause for its August consumer Fitness Festival and completion of the second San Diego facility.

**GREAT PROGRAM!
 GREAT RESULTS!**

To date, OPERATION

FITKIDS has benefitted over 150,000 youth across America.

• Effects on physical performance factors:

- Participants activity levels significantly increase (+25%).

- Participants fitness levels significantly increase (+17% increase in aerobic capacity and a +19.7% increase in upper body strength).

• Effects on risk factors:

- Participants self-concept ratings significantly increased by (+10.5%).

- Participants levels of anxiety and depression significantly decrease (-18.2%).

• Effects on substance abuse patterns:

- Significant decrease in multiple drug use (-88.3%).

- Significant increase in total abstinence (+53.5%)

Clearly, this is a worthwhile program that in the long run will help not only American youth, but all Americans. The CLUB INSIDER News supports KEN GERMANO and his OPERATION FITKIDS and we urge all club operators to "pitch in." Those who would like to donate equipment for OPERATION FITKIDS can contact Ken Germano at: OPERATION FITKIDS, INC., 1005 Miramar Street, Laguna Beach, California, 92651 or call (714) 497-2844 or FAX # (714) 497-1245.

July 21, 1995

Dear Mr. Cates,

My name is Sean Datte, I am three years old and I live in San Diego.

My Dad works at Hoist Fitness Systems after working in health clubs for fourteen years. He loves it, but he has been kind of a spaz lately. Dad says a lot of people are brainwashed by all the hype in advertising some equipment companies do. He said a good club operator would look at Hoist before buying anything. He told me Hoist has been around longer than the dinosaurs, making equipment before some companies were even thought of. My Dad says Hoist uses eleven gauge steel, pillow block bearings, Epsom pulleys, computer design and 4,000 pound cables. Can you lift 4,000 pounds? He also said they make the best counter-balance Smith Machine and leg press in the entire universe.

Mr. Cates, please help "unbrainwash" all those poor people and let them know about the innovative designs and quality products Hoist makes. Tell them to call Hoist at 1-800-548-5438 to get free information.

Thank you,

Sean Datte

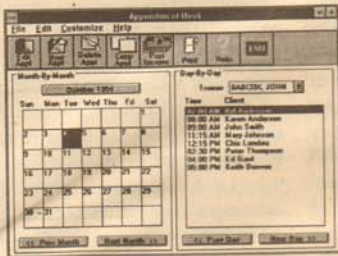
Son of National Service and Sales Manager, Steve Datte

Response To Sean From The CLUB INSIDER: Sean, "Thank You" for your letter!

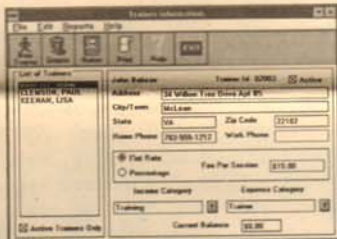
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- ◆ Keep track of client names, addresses, and telephone numbers
- ◆ Record client payments
- ◆ Maintain client training logs, and print progress graphs
- ◆ Record client medical history and fitness assessment

- ◆ Generate invoices and receipts for training sessions
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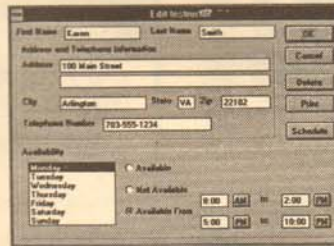
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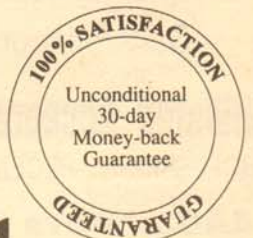
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...Ray Wilson

continued from page 10

never loses his zest and enthusiasm for the business! And, Charlie Tartella has worked for Ray for over 41 years. Charlie describes Rays as, "the best motivator of people I've ever come across. He has a great strength of mind to see projects through, such as he did with the LifeCycle. Ray believes that sharing of the wealth is an integral part of the business."

HEALTH CLUB FRANCHISING - A BAD IDEA!

The concept of "joint-ventures" vs franchising was discussed and Ray had some very strong beliefs about health club franchising. "Health club fran-

chising won't work.... I've already tried it!" He then mentioned the Bally Franchise Program which is going to hit the club industry at any moment and said, "mass franchising of health clubs is a bad idea and could lead to the BIGGEST BLACK EYE the health club industry has ever seen!" He also commented, "franchising is the easiest thing to do. I believe I could sell a thousand franchises a year, but 80% of them would ultimately fail. You need the right people operating this business to succeed."

"10% PROBLEM RULE"

In describing his management style, he shared another key, what he calls his "10% PROBLEM RULE." He explained that typically in a chain, around 10% of the clubs will be

experiencing problems of some kind at any given time. He says, "I concentrate on my "problem clubs" so we don't accumulate more than an average of 10%. By concentrating on the "problem clubs" and letting his joint-venture partners pretty much run their own show, Family Fitness Centers has grown into an organization with over 750,000 members and over 4,000 employees. (Many are part-time employees.) The chain of 72 locations generated annual revenues of \$100,000,000 in 1994 and is projecting \$115,000,000 for 1995!

HIGH VOLUME

Each club averages 2,000 workouts per day (average of 144,000 visits per day) with some of the biggest clubs serving traffic of 3,500 to 4,000 people per day! To draw this level of traffic year in and year out, the members must be happy. The combination of extremely well equipped and maintained clubs at very competitive prices has served Ray and his joint venture partners well. When asked his response to his competitors' complaints that his low membership prices hurt all clubs in their market, he cited a quote from Cecil Spearman, former IHRSA President who owns and operates several Southern California clubs. Cecil was quoted in a CBI article as saying, "there are, after all, two different markets in the club business and Ray's is the low-price, high-volume one." Spearman's clubs are primarily high-end multi-purpose and racquet clubs which appeal to a more affluent clientele than Ray tries to attract.

"THE DIFFERENCE"

This mass market "niche" is being sought by a number of "chains" around the country. But, the "DIFFERENCE" between those operations and Ray Wilson's Family Fitness Centers is that Wilson's clubs are so WELL EQUIPPED AND WELL MAINTAINED they are intensely competitive with all of the clubs in the market he serves. Rob Rideout, the Vice-President of MicroFit Corporation has seen at least 15 of Ray's clubs and says, "the Family Fitness Centers are incredibly well equipped and maintained and that gives them a very competitive position in the markets they serve."

For example, the average Family Fitness Center will have 120 pieces of cardiovascular equipment and 5 to 7 different lines of selectorized weight equipment as well as an extensive free weight line-up. This writer visited the San

Jose club which has 140 cardio machines, including 40-stair machines, 30 treadmills and 45 LifeCycles! It has 7 different lines of weight equipment plus a large free weight area. The 30,000 square-foot San Jose club is literally packed with the best equipment available and serves 4,000 members on the average Monday. That club is just 100 yards away from a huge Gold's Gym which is also packed with mostly weight equipment. Less than a mile away from those two clubs is the Meridian Athletic Club which is a nicely decorated and well equipped facility. When asked about the Gold's Gym across the street from the San Jose club, Wilson quipped, "I'm glad to have them there as competitors....they help us a lot because they serve the hard core lifters and we are more targeted to families in the area." While visiting the San Jose location, I took the time to talk to some of the members in the parking lot prior to entering the club. They expressed great satisfaction with both the VALUE of their membership and the QUALITY of their club.

As with Wal-Mart, the biggest retailer in the United States, Ray Wilson's customers keep flocking back because of VALUE and QUALITY. Wilson's Family Fitness Centers could some day become the "Wal-Mart" of health clubs around the world.

MEMBERSHIP STRUCTURE AND PRICING

Maybe the most significant comments that this writer has heard during 8+ hours of interviews with Wilson is what he said about membership pricing and structure. First, he says, "I set my prices according to the competition." Second, he says, "I came from a very poor family....we couldn't afford anything when I was growing up. I want to be able to provide the opportunity for fitness to the "average" family....so my prices for a family, compared to a single, are very low, so the average person can afford to have their family involved in fitness....thus the name Family Fitness Centers." His dues in the very competitive Los Angeles market are: \$15 per month for single, \$19 per month for couples and \$22 per month for families.

A lot of club operators are under the impression that Family Fitness Centers still op-

erate under the "contract required" membership plans where the member must sign a retail, legally binding, installment contract which would require that a member continue to pay for the term of one, two or three years no matter if they are using the club or not

I shopped two different San Diego area Family Fitness Centers by phone calls to get an idea of how the memberships are structured and priced. My impressions after these two unannounced shopping calls are as follows: (1) In both cases, I identified myself as a person who wanted to find out about the membership prices and I stated my first name. I was surprised to hear absolutely NO hesitation by either of the membership sales counselors about my request for pricing information. (2) I was, in both cases, impressed with the articulation, friendliness and helpful attitude conveyed over the phone by the young lady in one case and the young man in the other. (3) I was given a clear explanation and answer when I asked about membership dues and if I had to sign a contract for a specified period of time or not. I was told in both cases, "you can stay a member as long as you want and you can quit paying the monthly dues if and whenever you decide to quit being a member by giving us written notice." (4) There was no perceivable "high-pressure" by either counselor, but in both cases, I was invited and encouraged to come in for a tour of the club.

If you are a club operator who still sells memberships with prepaid dues for two or three years, or contract memberships with non-cancellable monthly payments, consider this. When asked about his views on membership pricing and structure, he was very clear. He predicted, "someday, all clubs will go to monthly dues." He went on to say, "everytime you sell a long-term membership.... you mortgage your future." He added, "monthly dues enhance your future.... I like to focus on getting 20% for today's operations and 80% for the future. Right now, roughly 60% of our annual revenues come from monthly dues collected by EFT. The rest comes from quarterly, semi-annual and annual memberships." He explained, "my people are paid on NET PROFITS. In order to retain monthly dues paying members, we have to provide SERVICE along with sales or they will stop coming and will quit paying their dues." He also suggested, "when EVERYBODY goes to monthly dues, our industry image will be enhanced. Monthly dues serves as kind of a "FORCED TRUTH PLAN." He went on to explain that, "I joined IHRSA because (See *More Ray Wilson* page 29)

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SINAI of Baltimore and The WellBridge Company Announce New Partnership

Sinai Hospital of Baltimore and The WellBridge Company, which operates the WellBridge® Health and Fitness Centers in Massachusetts, announced they have formed a partnership, Sinai WellBridge Health and Fitness. It will open at a new facility to be constructed at the Festival at Woodholme, a premier retail, professional and office site in Pikesville, Maryland. Ground breaking for the new center, which aims to set a regional standard in programming and design, took place on May 21st.

Sinai Wellbridge, which will succeed the current Sinai Fitness in mid-1996, will provide scientifically and medically-based health, fitness and wellness programs in a service-oriented environment. Sinai, the largest community hospital in Maryland and a

regional market leader, was one of the first hospitals in the country to develop and operate a fitness center.

In addition to Sinai Fitness, the hospital also operates Sinai Corporate Health, providing health and wellness services to business and industry. "In WellBridge, Sinai is partnering with a leading company that shares its commitment to maintaining the health of a community," said Warren A. Green, Sinai's president. "Community wellness is fast becoming a dominant theme in American medicine today, and we are two companies that have unparalleled experience already," Green concluded.

The WellBridge Company, a wholly-owned subsidiary of The NutraSweet Company of Deerfield, Illinois, is a leader in the preventive segment of the

health care industry providing high-quality health and fitness programs specifically tailored to the adult market. According to Nicki L. Schuh, President of WellBridge, "This partnership signifies a cooperative effort to develop a health and wellness business that benefits both parties as well as the community in which we reside. We have shown that the hospital and fitness industry can work together to bring preventive care to a new level for consumers."

The new state-of-the-art center will provide equipment, facilities and scientifically-based programs that hold particular appeal to adults. Scientific research consistently indicates that staying well requires more than the treatment of disease. It begins with the maintenance of good health through smart eating and proper

exercise. The Sinai-WellBridge Health and Fitness Center provides people within the Baltimore community a fun way to maintain a healthy lifestyle and improve their quality of life.

The new Sinai WellBridge

Health and Fitness Center is scheduled to open in summer, 1996 at 1836 Greentree Road, Baltimore. Information regarding the center can be obtained by calling Sinai Fitness at (410) 363-4430.

EXECUTIVE DIRECTOR

Motivator, organizer, writing/verbal/computer abilities and positive people skills with health fitness trade association. Portland, Oregon office. Send letter and resume to NACA, 8495 SW, Mapleridge Dr., Portland, Or. 97225 by July 26, 1995.

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...Healthy Companies

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pen. The company, which employs 8,000 mostly middle-aged men, looks for red flags like high cholesterol and blood pressure, smoking, obesity, lack of exercise and mental stress. Between ages 45 and 65, workers with six or more risk factors cost four times as much as those with none.

The secret to saving money is reducing risks, says a University of Michigan study that tracked 4,000 Steelcase workers from 1985 to 1990. High-risk employees who shed all but one or two bad habits cut their medical costs by 54%. When people cross the Rubicon to high risk, the usual migration that comes with age, medical bills grow more than 100%.

For Steelcase, the mission is rallying people from high-to low-risk categories and keeping the healthy from backsliding. To identify those in danger, the company employs six wellness workers, including three exercise physiologists and three health educators. Employees complete a six-page questionnaire describing habits like eating and exercise, the physiologist measures their blood pressure, cholesterol and body fat. About 60% of employees participate in the screenings, held every two years. Roughly one in nine is high risk.

A wellness worker meets with virtually every high-risk employee (only a few decline). The counselor invariably prescribes lots of exercise and offers, as encouragement, a free three-month membership in Steelcase's sumptuous, 25,000-square foot fitness center, boasting basketball courts and a sunlit indoor swimming pool, not to mention a tofu-intensive salad bar. The center's staff act as personal trainers, guiding their puffing charges through exercise routines designed to reduce body fat or lower blood pressure. The center's nutritionist teaches them to cook low-fat meals.

Steelcase has dramatically shrunk the number of high-risk employees - and slowed the increase in medical costs. These are rising at just 2% a year, one-third the rate for most industrial companies. Steelcase reckons its wellness programs should save it \$2 million a year, nearly a 6-to-1 return on investment.

While most employees willingly cooperate with wellness programs, what happens when someone refuses to give up the pizza and the Marlboros? Union Pacific

has some answers. At this old-line railroad, changing lifestyles is like pushing a rusty boxcar uphill. The highly unionized workers are suspicious of almost any kind of management program. Yet the company must do something: It spends \$6,000 per worker on medical claims, almost twice the average for industrial companies, and pays an estimated \$40 million a year for diseases directly caused by unhealthy habits. By far the biggest problem is heart disease. Big-bellied trainmen, who run the locomotives, disembark in rural Southern towns at midnight to dine on chicken-fried steak and gravy-soaked biscuits, then return home the next morning, fueled by gallons of coffee.

To get the employees to pay attention to their health, Union Pacific has hired an outside firm, Kersh Wellness Management, to find and counsel the high-risk workers at its facility in Little Rock. From the 2,000 employees, Kersh identified 300 with poor health habits. Three Kersh employees pay them regular visits at workshops and rail yards to monitor cholesterol and blood pressure. At least once a month they call high-risk employees at home to advise them on diet and exercise.

Getting the crotchety candidates to cooperate is a slow, delicate process. The first barrier is convincing workers the information won't be used against them. Patsy Parker, a counselor at Kersh, shows workers copies of the federal law that bans companies from punishing workers for poor health habits. Still, the Arkansans revel in overeating and underexercising. "At first, I talk while they yell," I won't change my habits!" marvels Parker. But her persistence works. About 80% of the employees in danger end up cooperating with counselors.

The secret, says Parker, is building small gains into giant improvements. The best way to lose a prospect, she warns, is to prod him first to stop smoking. Instead, Parker begins with baby steps in diet and exercise. She has gently guided Paul Imhoff, a 43-year old who checks locomotives for repairs, to a far better lifestyle. A bristly speaking bearded extrovert who sports a yellow hard hat, Imhoff two years ago had extremely high blood pressure and carried a bulbous 230 pounds on his 5-foot 10-inch frame. He was packing on five to ten pounds a year. Each month Parker advised him to make a single change: Substitute mustard for mayonnaise on his sandwiches, use low-calorie salad

dressing, or extend his nightly walk from 30 minutes to 45 minutes. Parker, an unabashed zealot, even asked Imhoff's wife to substitute ham sandwiches for baloney in his lunch pail.

Imhoff has shed 20 pounds and reduced his blood pressure an extraordinary 33 points, to a robust 120/80. "It was nothing drastic," he says. "I was never starving to death, like on a lot of overnight diets." Imhoff doesn't follow Parker's advice to the letter, like limiting his portions of steak to the size of a deck of cards. "I make it two decks of cards," says Imhoff. "Hell, I used to think a portion was the size of a plate!"

In an odd twist, Union Pacific uses a role model to inspire workers like Imhoff to pursue fitness. He's Jim Yates, a locomotive repairman in UP's Little Rock facilities who holds the world championship in wrist wrestling, an international sport similar to arm wrestling. At 6 foot 2 and 240 pounds, the barrel-chested Yates has biceps as thick as most men's thighs. He inspires awe among his colleagues for his amazing conditioning. A 53-year-old grandfather, Yates bench presses 405 pounds. His opponent for the world title last August was 32. Nicknamed the "Arkansas horse," he once appeared in a TV ad pulling a boxcar with a harness. Yates demonstrates exemplary eating habits, lunching in the repair shop on fruit and Lean Cuisine. "I advise workers to stay in shape to avoid injuries," says Yates. "Railroad people look up to strength. They know I'm not full of bull."

Over three years, almost half of UP's high-risk workers have achieved normal blood pressure, while 21% have stopped smoking. The company estimates that its yearly \$1.2 million invested in health promotion will reap three times as much in lower medical costs.

Many companies, especially those in the service sector where female employment abounds, are tapping a surprising source of savings: minimizing the costs of childbirth. First Chicago spends \$10 million of its \$45 million-a-year medical budget on a perpetual baby boom of 800 annual deliveries. By promoting healthy lifestyles, the banking company is sharply reducing two expensive complications of pregnancy, cesarian section deliveries and underweight newborns. C-sections cost an average of \$12,000, twice as much as a vaginal delivery. The expense of keeping an underweight infant in in-

Figuring The SAVINGS From Health Promotion

•Studies by Johnson & Johnson and the University of Michigan calculated potential savings in insurance premiums when a person exchanges bad habits for healthy ones.

•Quitting Smoking. Savings: \$1,110 a year, the average extra cost of a smoker.

•Starting to exercise. Progressing from couch potato to fitness fan saves \$260 a year.

•Lowering cholesterol. Going from 240 milligrams to 190 could pare the annual bill for cardiac care \$1,200.

•Losing weight. Slimming from obese to normal saves \$177 a year, or about \$3 for every pound lost.

tensive care can run \$100,000, followed by even bigger bills if the child is brain damaged. Normal pregnancies also reduce absenteeism. At First Chicago, almost half of all days employees take off from work are for maternity.

First Card, the company's credit card division in Elgin, Illinois, is a cathedral to healthy maternity. Almost 80% of its 2,500 employees are women, most of whom are in their prime child-bearing years. First Card's campuslike facility is designed for working mothers, down to the \$900,000 day care center and lactation rooms where mothers can express milk for baby.

The idea is to provide a full education - and plenty of services - for women too busy to make frequent visits to the doctor. First Card starts working with employees before they get pregnant. That's the time to catch problems that can cause birth defects. Women seldom see a physician before they're expecting, but First Card offers a thorough risk appraisal before conception. For women who haven't had, say the German measles, First Card's nurses recommend getting an immunization. If contracted during pregnancy, the disease can cause severe abnormalities in a newborn child.

For pregnant women, First Card offers three-hour seminars in prenatal care. The nurses warn against bad habits that can cause underweight babies, like smoking, drinking, and poor nutrition. If a woman completes the prenatal program by the 16th week of pregnancy, First Card waives \$300 in deductibles toward health care for the baby. The carrot works. Almost two-thirds of the pregnant employees take the course.

First Chicago also conducts free, onsite screenings for breast cancer twice a year. So far

it has caught seven cases. For Doris Wiskirchen, now a health care worker at First Card, the tests were a lifesaver. In 1991 the mammogram revealed a tiny tumor, undetectable in a physical exam. Wiskirchen had a successful mastectomy. "If the test hadn't been right here, I probably would have put it off," muses Wiskirchen, 60. "The convenience of just leaving your desk for 15 or 20 minutes for a quick exam gets people to participate."

For First Chicago, wellness is showing noble gains. Its frequency of underweight babies is just 3%, less than half the national average. Its rate of C-sections is also far lower - and still declining. The mammography program is another money saver: Caught early, breast cancer costs \$14,000 to treat vs \$40,000 for advanced cases.

It's a long way from the steamy Louisiana bayou to the near Chicago suburbs. But in both places, companies are teaching, cajoling, coaching, and scolding their way to a hidden treasure - the rewards of keeping employees healthy. Sure, the problem is time-consuming and delicate. Turning companies into health care counselors demands a significant investment. But the success of health promotion proves that if companies will lead, employees will follow.

(This article has been reprinted with the permission of Fortune Magazine, Incorporated, New York, New York. The CLUB INSIDER has reprinted this article to provide club operators with information to stimulate new corporate membership and health service relationships between health clubs and businesses of all sizes. Many leading club operators predict that corporate memberships will become a staple for health clubs in America in the foreseeable future. This article should help both the club owner/operator and the corporate CEO understand why.)

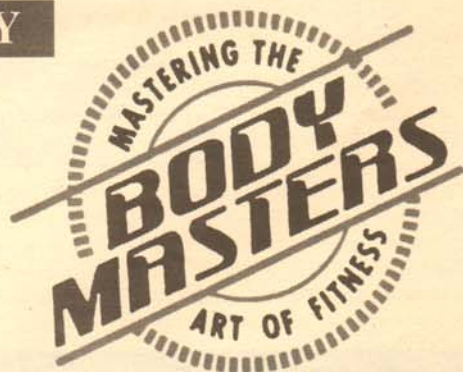
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SALES MAKERS Tip Of The Month

By *The Sales Makers*

It is always important to remind ourselves of the total dependence which any business endeavor must place on its customers. Whether you are in the business of manufacturing a product or selling a service, a successful business can only be built and maintained by people buying your product or service.

The success of your club is TOTALLY DEPENDENT on having a sufficient number of people who are motivated to the point that they will give up their money in exchange for the use of your facility.

For example, why should any-

one play racquetball or exercise at our club instead of other clubs which are available (or soon will be)? The end result is the same - the workout, the fun of racquetball can be had wherever the game is played.

To convince people to join your club is a matter of providing the people who visit your facility with a warm, friendly, pleasant experience and a genuine belief that they will obtain the results they are looking for.

The initial ingredient for an enjoyable experience is the interpersonal relationship that occurs. The person-to-person experience. They will join the club where the staff is the most friendly and hospitable.

THE GREATEST REWARD FOR SERVING OTHERS IS THE SATISFACTION FOUND IN YOUR OWN HEART.

More Ray Wilson

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I have the same philosophy as most of the IHRSA owners."

MONTHLY DUES NOT AS EASY AS IT SOUNDS

Wilson was quick to point out that he realizes that it is not easy to move from pre-paid or contract memberships to monthly dues memberships. He believes, however, that monthly dues should become a "goal" for the club owners. He reminisced, "I've been through the whole cycle. I invented the Lifetime Membership at European Health Spas. It worked then because most people did not use their membership like they do today.

I also have sold memberships for 7 years in advance, then down to 3 years in advance, then 2 years, then to one year and then to monthly dues." Ray realizes that clubs need cash for operations, but suggested that to break the habit of long-term prepaid memberships and to establish monthly dues, you need to have at least a three-year plan to bridge the time where you still need cash for monthly operations that is not generated from your monthly dues income. He believes that any club owner who wants to get there, can. It just takes time and a lot of planning, sacrifice and effort." He also explained, "mentally, it is not easy to make this switch. In order to get my people to agree to my desire to move to monthly dues, I had to threaten to quit! He was obviously determined to move his organization into the 1990's positioned to succeed and was not going to be held back.

Ray Wilson projects significant expansion of the Family Fitness Centers in the future, especially now that they have merged with Fitness Holdings, Inc. The merger will provide ready capital for both acquisitions and new facility development. He has also recently returned from a two-

week trip to the Far East where he met with "The China Group," a Hong Kong investment group that is interested in development of a chain of centers over there. Ray plans to sell no franchises, but instead believes that the "joint-venture" structure will serve him well. If he makes a deal with the China Group, his Northern California joint venture partner, Eric Levine, will move to Hong Kong to run the show. Wilson is prepared to invest \$1 million in cash and the China Group will have to put up \$5 million to start the new Far East chain if they should decide to move forward with the project.

Ray Wilson has been through a lot in the health club industry in his 47 years in the business. He has been criticized in the past by some, most likely people that didn't even know the man at all. But, his pioneering days leading up to the European Health Spas, his delivery of the LifeCycle to the world of fitness and the average of 144,000 people that exercise each day at his 72 Family Fitness Centers speak volumes for the good that Ray Wilson has brought to the health club industry and to our country. In addition, few men or women can look back at having helped so many of their organization's people to such great financial success as Ray Wilson has. Now, with the recent merger with Fitness Holdings, Inc., he will be poised and equipped to do even more exciting and major things in our industry. The man is 67 years old now and is just warming up!

The CLUB INSIDER News thanks Mr. Ray Wilson, his team of managers, his home office, Mike Kramer and Stacy Justin, for their help and assistance in the preparation of this case study. The health club industry can learn a lot from this organization and we thank them for sharing.

(Norm Cates, Jr. is the Publisher and Editor of The CLUB INSIDER News, a 20-year veteran of the club industry, IHRSA's 1st President and a co-founder of IHRSA. Cates serves IHRSA as a member of the Advisory Council.)

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...Hoffman

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tidbits about what new fad is most popular. This does not do much to draw attention to your club or to credibilize your products and services, but it is not the journalists' fault. They are providing the most in-depth information they can with the time and data resources they have. This very lack of information resources is one of your greatest PR opportunities.

ACTION SUGGESTION #4 - Instead of always trying to pitch a story for appearance in print or broadcast, send your reporters tech-

nical update bulletins as background information. One might be an explanation of the comparative calorie costs of stairclimbing, rowing, recumbent cycling and ski simulator exercise. Another might describe the best exercises for deconditioned people versus experienced club members. Still another could explain the medical and lifestyle advantages of strength training for older adults.

An ambitious club might even publish a booklet called, "Journalist Guide to High Tech Fitness", being a glossary of the most common terms we all use everyday in the club regarding equipment and exercise programs.

The point is to establish your reputation as a good source of information for reporters. Once you gain a journalist's respect, your chances of getting solid news coverage improve dramatically.

• CONCLUSION

Share this article with your key management team. Discuss how PR Reasons 1-4 apply to your club's current communications program. Write a list of all the advantages you can gain by boosting your PR efforts. Then brainstorm how you can upgrade your PR effort as a budget and staffing priority.

If you are like most clubs, this exercise might be a little painful. After all, you will be investing in a process that yields slower results than advertising and that will require you to get more new education. You will be investing time and money on a whole new venture. On the other hand, you are professionals who welcome new challenges, are you not? Your reputation is formed by how you serve your members, maintain your club and by the word-of-mouth that circulates about you. Quality media coverage generated by systematic, creative PR is the ultimate word-of-mouth. Good Luck!

(Michael Hoffman, Principal of Heart Communications, is known for his lively writing and speaking style and track record as one of the club industries' most creative PR professionals. Heart Communication's clients include: Life Fitness, Weider Publications and Scientific Stretching, Limited. Hoffman is an active member of the Fitness Products Council, the Public Relations Society of America and Toastmasters International. Michael may be reached at (714) 831-7971. Michael is a new CLUB INSIDER News contributing writer and we thank him for his article!)

...Stuart

continued from page 13

operator for the John Wayne Tennis Club to realize its potential. The club has the best location and the best tennis lay out of any club in the area. What the club needed was an owner who would devote full time to running the club. Cecil decided it was time to sell and began to search for the right owner/operator.

Several people talked to Cecil about buying and running the club starting in January, 1994. After a very careful review of all the people interested in buying the club, Cecil elected to sell to Ken Stuart, even though the sales price paid by Ken was less than another offer. There is an earn out provision that makes Ken's offer better in the long run. Plus, Cecil was convinced Ken would be very successful as an owner operator of the club.

After leaving the John Wayne Tennis Club in 1978, Ken started, owned and operated a busi-

ness which specialized in buying and developing inventions. Three years later Ken sold the company to a large national firm. In 1989, Ken was asked by his wife, Nancy, "What do you really want to do?" His answer was that he wanted to own his own tennis club. In 1990, he began to look around for a tennis club to acquire. He re-discovered the closed facility called the Palisades Tennis Club which he had nearly bought in 1983, but the deal had fallen through.

The Palisades club was in deplorable condition with the courts and club house needing a major overhaul. In 1991, he struck a deal with the owner of the Palisades property for a five year lease. Ken felt it would be a great challenge AND opportunity to remodel and re-open the shut down club, starting from scratch with no members. Knowing that the club sat in the middle of some serious tennis club competition (within a few miles were four clubs with a total of 90 courts),

he decided to seek a specific niche for his small five court remodeled facility. The "niches" he examined were: (1) A ladies only club; (2) a juniors only club (18 and under); or, (3) a club which targeted and accepted only the top players in the area.

The "niche" that Stuart decided to pursue was that of the top notch players. Only players who were rated a 4.5 or higher (7.0 is a world class player) were allowed to join. Plus, he limited the numbers of members to a maximum of 150.

Ken spent over \$100,000 on his club and court remodeling. And, when he re-opened the doors, he was in for a serious shock. He had only seven members! "In my heart, I thought I would be full right from the start when we opened in March, 1992," said Ken.

Recovering from the shock and moving forward with his club operation, Ken became friends with a local man who was a computer programmer. Ken had

for some time had a "vision" of a software system which has become instrumental in his club's success and his need now to move to larger quarters, i.e. the John Wayne Tennis Club. Six months after he began to utilize this match making service, his membership was full at 150 people and he had a waiting list. The computer program he had developed is unique. It allows his assistant, Patty Fleshman, to match players with equal skill, compatible time desires and personal preferences. Importantly, the software produces the matchmaking list with the names of those who have played less frequently first, so the attention is paid to the low users. Additionally, Ken calls up the low users to find out why they have not been playing as frequently lately. Each Monday, Ken's assistant makes 150 phone calls for matchmaking.

The astonishing result of this system as worked by Ken and Patty is that in 3 1/2 years, his club has had ONLY 7 members to resign! Five of them were because of relocation and one was because of divorce! That means that in 3 1/2 years, Ken's club had lost only ONE member due to what the club industry might define as "controllable" circumstances! Phenomenal.

Ken is making the move from the Palisades Tennis Club to the 16 court John Wayne Tennis Club on August 1, 1995. On that day, the name will be changed to The Palisades Tennis Club. EVERY ONE of his 150 Palisades members have agreed to continue their membership at his new John Wayne location! Mixing his 150 - 4.5 + players with the 90 or so 4.5 + players at John Wayne, his

"top-notch" group will total about 240. And, the remaining 350 former John Wayne members will all be set up on Ken's match making system using their current rating as one of the key guides to match making. And, he intends to hire several new matchmaking workers to work under Patty with the expanded/merged membership.

The economies of the merged clubs look really good for both Ken and for former IHRSA President and club owner, Cecil Spearman. Cecil, who owns the Laguna Niguel Tennis Club and several other facilities says, "Ken is one of the best managers I have met in many years of being around tennis. He is smart, works hard and has outstanding interpersonal skills. He will return the Wayne club to its position of being one of the top clubs in the country and all of the Spearman's will be applauding his success with much enthusiasm!"

When the conversion of the John Wayne Tennis Club to the Palisades Tennis Club is made on August 1, 1995, the memorabilia of "The Duke" - John Wayne, will be removed from the club and returned to the estate. Ms. Pilar Wayne, John Wayne's widow, will remain as the only "honorary" member.

The CLUB INSIDER congratulates Ken and Nancy Stuart and Cecil Spearman and Family on a win-win proposition for them and their members! It appears that Ken Stuart will have the opportunity to build the new Palisades Tennis Club into one of the most successful tennis clubs in California, just like Cecil Spearman's Laguna Niguel Racquet Club. Best of luck Ken!

Norm Cates'

THE Club Insider

NEWS

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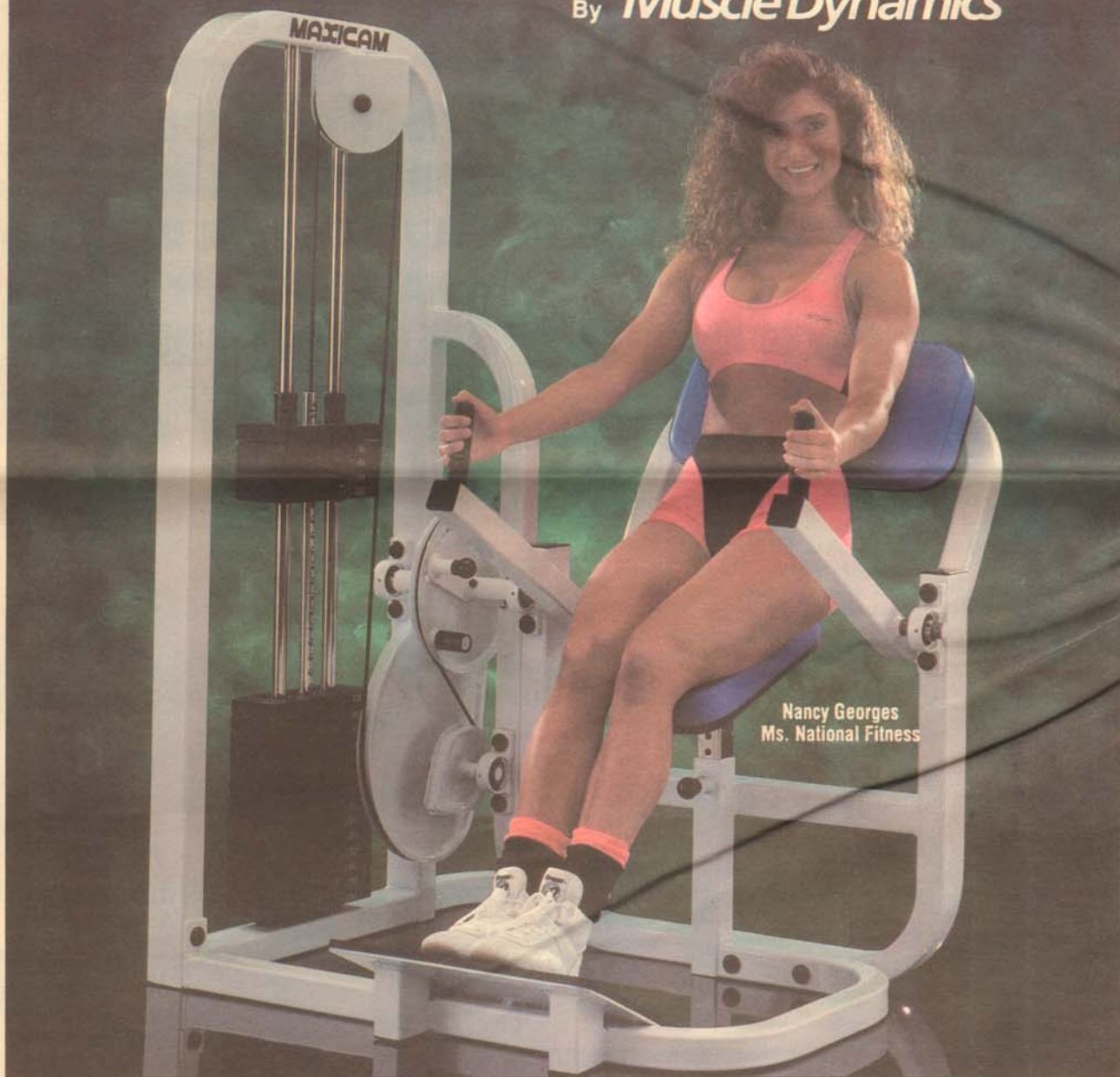
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