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Norm Cates'

# THE Club Insider

## NEWS

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

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VOLUME 9 NUMBER 8



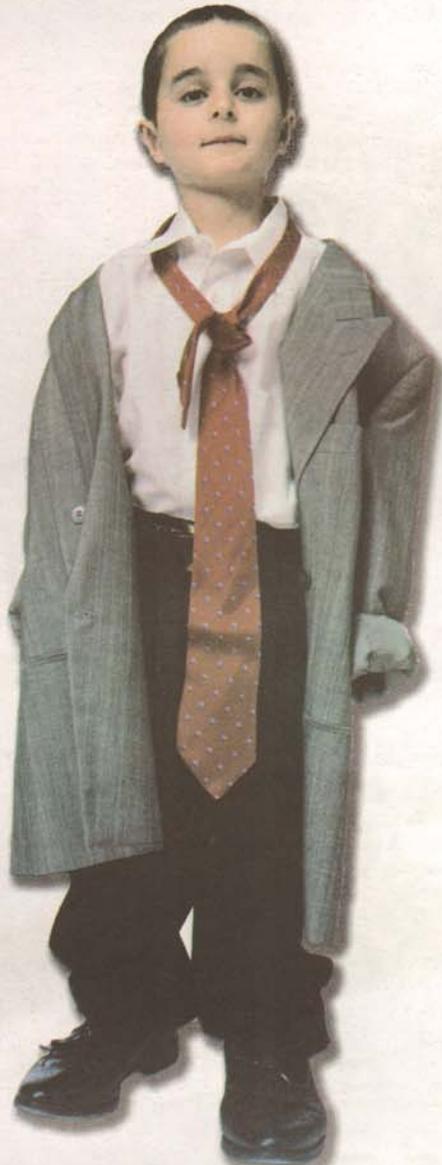
# Bill Pearl

**“The Father of Modern Bodybuilding”**



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# THE Club Insider

## NEWS

# Bill Pearl

## "The Father of Modern Bodybuilding"

By: Norm Cates, Jr.

Bill Pearl, the man known as "The Father of Modern Bodybuilding", will be honored in Las Vegas on September 12<sup>th</sup> when he receives the Life Time Achievement Award presented by Wally Boyko's National Fitness Trade Journal. There is no other man on earth that is more deserving of this Life Time Achievement Award than Bill Pearl.

Bill Pearl was born in 1930 just outside of Prineville, Oregon on the Warm Springs Indian Reservation and lived there until he was 7 years old. The Reservation was one of the largest reservations in the Northwestern U.S. and was part of the Nespeck Reservation. Bill's family settled in Yakima, Washington and he graduated from Yakima High School where he was a two sport star in wrestling and track. Bill started lifting weights when he was 10 years old and he acquired his first set of weights at age 12. That began a bodybuilding and fitness career that can only be described as simply amazing. He joined the U.S. Navy and in 1954 he won the 13<sup>th</sup> Naval District Heavyweight Wrestling Championship and the Pacific Northwest All Comers Meet. In 1950 he began training with gym owner Leo Stern and credits Stern with coaching him and helping him win the 18 titles. (See sidebar on page 16).

Bill Pearl operated gyms in Sacramento and Los Angeles, California for 30 years. During those years he

personally coached more major contest winners than anyone else in history. Pearl's protégés have won 10 Mr. Universe titles, 8 Mr. America titles and 1 Mr. Olympia title.

In 1983 Bill Pearl was featured in a Sport Illustrated article written by Terry Todd. And, photos and notes about Bill's career appear in virtually every book on bodybuilding there is.

Bill and his wife, Judy, live on a four-acre slice of heaven near Medford, Oregon. Their property has fruit trees, one dog, two cats, three tortoises, two parrots and a bunch of Koi fish.

Bill has maintained his passion for weight training for over 60 years now, as he is 72 years old. He rises daily at 2:30 a.m. to train 6 days a week. We asked him the difference between his training routine when he was competitively bodybuilding and now and he commented, "When I was bodybuilding competitively I trained six days per week and trained 2 1/2 to 3 hours per day. By today's standards that was way too much. I haven't entered a physique contest since 1971, but I still train six days per week for close to 2 hours per day. I still train too much and physiologically I could probably do better with less, but psychologically, I won't buy into it!

Bill Pearl doesn't just exercise to keep fit. He has been on a strict lacto-avo vegetarian diet for the past 35 years. He does not eat red meat, fish or fowl and has not deviated

from that diet for 35 years!

Bill Pearl starts each workout with some cardio training and stretching and is then joined at 4:00 a.m. sharp by his training partners, including his wife, Judy. Bill has a complete home gym set up in his 3,500 square-foot barn behind his house. Bill commented "This might sound as if I am bragging and if it does, I apologize. I train with some "younger kids" and 99 times out of a 100, I can keep up with the 35-year olds. They all call me Bill. They don't call me Mr. Pearl. They treat me like everybody else and I absolutely love it. On Saturdays a bunch of us get out to Jake Grabo's Gold's Gym, in Ashland, Oregon. We all get together and we all just knock heads. We even have a few owners of other local gyms who come and train with us as well. It is one giant family and we are all trying to promote physical fitness in this area.

### "Keys To The Inner Universe" - An Encyclopedia On Weight Training

Bill has authored, with the help of his wife Judy, three best selling books, including the 638-page book entitled: "Keys to the Inner Universe, An Encyclopedia on Weight Training." Bill and Judy had huge sales success with the "Keys" book through mail orders and local gyms. He also authored two other books, including the best selling book ever published on strength training, "Getting Stronger" He also authored "Getting In Shape", a beginner's tool for those who want to make fitness a part of their lifestyles.

Bill Pearl appears regularly at sports conventions, bodybuilding contests and other

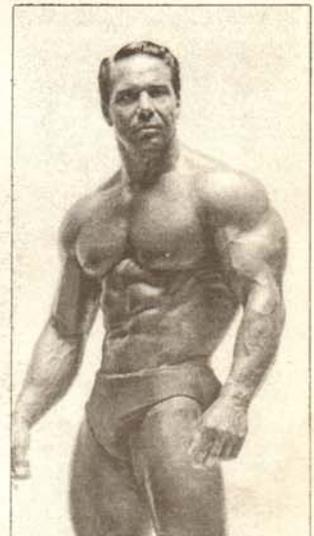
invitational events. He travels the world expressing his views on the values of physical fitness as a lifestyle and he is the current worldwide spokesperson for Life Fitness, the giant company that manufactures and sells over 60% of the commercial exercise equipment sold in the United States today.

Wally Boyko, the Publisher for over 20 years of the National Fitness Trade Journal, said this about Bill Pearl, "Bill's achievements in bodybuilding and unwavering commitment to the industry for the past six decades, have made Bill the undisputable choice for this year's Lifetime Achievement Award. Bill Pearl added this about his up-coming honor, "I've loved and dedicated my life to this terrific industry. It is great to be recognized by my colleagues with this award."

As a young man in the U.S. Navy Bill met another fellow that has followed his passion for strength training and fitness, Red Lerille. Red, Mr. America in 1963, has owned and operated Red Lerille's Health and Racquet Club in Lafayette, Louisiana for 40 years. Red has grown the facility from its 4,000 square-foot original size to over 165,000 on 22 acres and is in the opinion of this writer, the #1 health club operator in the world. Red had this to say about Bill Pearl's profound influence on him. "The first time I ever saw Bill Pearl was when I was 14 years old and I was home sick from school. I clicked on the T.V. and there was Bill Pearl standing there with his trophy at the Mr. America contest. That must have been about 1953. It must have been my destiny that day to be home sick from school and then to see Bill Pearl on T.V. because he gave me tremendous inspiration from that moment on. Anybody that has ever seen Bill Pearl has got to be impressed with him.

In 1956 I had just won the Mr. Hawaii Islands bodybuilding competition and Bill Pearl was a guest poser at the event. Along with winning the contest, I got to travel to two of the other Hawaiian Islands with Bill, and we had a great time. When I went to California after I left the Navy I worked out with Bill there a few times. Plus, he visited New Orleans and we worked out there once. When I see Bill at trade shows, I always slip in a little workout with him. We've been good friends over the years. Bill has always been a tremendous inspiration for me, not because of his physique, but because he is such a great person. The reason I admire him the most is his consistency. He has always stayed in shape. He has continually taken care of the most important thing. I've been getting up at 3:30 a.m. and getting my workout in from 4:00 a.m. to 6:00 a.m. for over 40 years now and Bill is the reason why. He taught me to get it done early."

(See Bill Pearl Page 16)



Bill Pearl

### Inside The Insider

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- Healthy Inspirations Is Rolling!
- Lead Generation Basics- CREATE Don't Wait
- The Creative Leasing Alternative
- Global Fitness Scoring Big With Body Training Systems!

# The "Insider Speaks"

## We Have More Trade Shows Than We Need!

By: Norm Cates, Jr.

I was thrilled to see that IHRSA is discontinuing its involvement with the annual Orlando Athletic Business event after the November, 2002 event. I was thrilled for a couple of reasons;

1. IHRSA has, for years now, been conducting war against Parks and Recreation Departments, non-profit organizations such as YMCA's and Jewish Community Centers and Universities because those organizations compete unfairly against commercial health clubs everywhere. The reason IHRSA leadership has chosen to oppose these organizations over the years is that they are funded by tax payers and/or don't pay federal, state, or city taxes, and or both, thus they truly do operate with an unfair competitive financial edge. So, IHRSA had been conducting its annual Sales Conference in conjunction with Pete Brown's Athletic Business Magazine and Trade Show in an effort to position IHRSA's Associate Members closer to the vertical markets they seek. But, I think those IHRSA Associate Members that seek those vertical markets would have been at the Athletic Business Show anyway, without IHRSA's involvement

over the years.

But, to me IHRSA's alignment with Athletic Business in this endeavor smacked in the face of what IHRSA was doing day in and day out, which was fighting the very customers that they would be trying to sell products to in Orlando. But, until now I've just bit my tongue about this because I certainly have always wanted IHRSA's Associate Members, some of whom are our advertisers, to make as many sales as they can make any honest way they can make them. I was a club owner when the IHRSA/Athletic Business relationship began and after I began publishing in 1993, I did not feel compelled to address the issue.

2. The second reason I was thrilled to see this development was that now IHRSA's Associate Members that do not pursue the vertical markets that the Athletic Business might provide, no longer must feel tempted and or even feel compelled to spend the valuable capital necessary to exhibit at that show. That is good. Unfortunately, in the competitive world they live in, they often attend these trade shows, not because of the sales they hope to make there, but so their competition can't use their absence as a tool against them. Sad, but true.

### They Are In Business To Make A Profit!

Let me make this very clear. Our advertisers and all of the manufacturers, vendors and service providers in the industry are in business for one reason. To make a profit. And, this proliferation of trade shows does not necessarily produce that result. Therefore, I say to you all, we do not need more trade shows. We need less!

The raw truth of the matter is that while the *right* trade shows are terrific for manufacturers and vendors in the long haul, they are also extremely expensive for our industry's manufacturers to attend and exhibit at. If the commercial health club industry had less trade shows, that might lighten the load for the manufacturers, service providers and other vendors. It might provide some light for them at the end of the tunnel, and it might convince some of them that the light is not a train. So, less trade shows would be better for them. Maybe they could start making a little profit or a little more profit and guess what might happen after some time? Maybe they could give back some of those savings from less trade shows in the form of lower prices for their customers. Wow! What a concept!

### I Strongly Support IHRSA's Annual Trade Show and The Chicago Club Industry Trade Show

Don't get me wrong. I strongly support IHRSA's Annual Trade Show. Through the great efforts of IHRSA's John McCarthy, Rick Devereux, Chuck Leve and Tom Hunt at IHRSA, the event has become the premier annual "must attend" event in the world each year. It has gotten better and better and I congratulate them for that.

I also strongly support the big annual Club Industry Conference and Trade Show in Chicago. This is always a super event from both an educational and trade show standpoint. These two events should be and

most likely will be here for a long time and rightfully so. They produce lots of sales for their exhibitors and they provide leads for them to follow up on for months and months after the events.

### Not A Shot At Mark Onigman's New Gig

While I write this I want to mention Mark Onigman's new magazine and trade show. I am not taking a shot at Mark's effort here. Mark is the fellow that years ago founded Club Industry Magazine and later sold it. He has now established a terrific looking new glossy magazine called "Club Executive" which is targeted at the Country Club and Dining Club markets. I wish Mark well with both his magazine and his new trade show. I do not know if there is a place for Mark's new magazine and trade show in the country and dining club markets since I know very little about those markets, but because Mark is a nice man and helped our industry a lot when he created the Club Industry Magazine, I do hope there is.

### I Work For You and Our Advertisers

I want to make it clear that I work for both you, our readers, and our advertisers. I want to help our advertisers improve their bottom line because they have supported The *CLUB INSIDER* News year in and year out. By the way, we are coming up on our 10<sup>th</sup> Anniversary and we will finish our 9<sup>th</sup> year of publication in November, 2002! I want to extend my most sincere thanks to our advertisers and to those of you that buy subscriptions as we have defied publishing odds that say that most new publications have very little chance of survival. If it were not for our great advertisers that you see in this issue (several of them have been in every issue since we began selling advertising in 1994) and in previous issues, The *CLUB INSIDER* News would have been long gone years ago because sub-

scriptions only represent about 5% of our annual operating revenues. We thank our advertisers for their support and we urge you to contact them and learn about and buy their products. And yes, please go see them in Chicago in October and in Orlando in November. They are the best in the business and we are very glad to be associated with them.

Let me close this rare "Insider Speaks" commentary by saying this. There are others out there that are cooking up another start-up trade show and I can only say to them, don't do it boys! You will be bringing something to the commercial health club market that the market does not need or want. You will be trying to put a square peg in a round hole. The commercial health club market does not want, nor does it need, another trade show. And, the market will rule. It always does.

(Norm Cates, Jr. is the Publisher of The *CLUB INSIDER* News. Cates is a 29-year veteran of the health, racquet and sportsclub industry. In 1981 Cates was the 1<sup>st</sup> President of IHRSA and a Co-founder of the Association. In March, 2002, IHRSA honored Cates with its highest award, the DALE DIBBLE Distinguished Service Award. Cates may be reached at: clubinsidernews@mindspring.com or by phone at: (770) 850-8506.)

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 The Club Insider  
NEWS

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## ●Norm's Notes●

● **LATE BREAKING NEWS:** I am very saddened to report to you that **MR. ROBERT DEDMAN, Sr.**, arguably the greatest club entrepreneur that ever lived, passed away in Dallas, Texas on Tuesday, August 20, 2002. Bob Dedman was not just a great businessman, he was a nice, humble and kind gentleman. You could not tell from talking to him that he was a billionaire. Our most sincere condolences go to Bob Dedman's family and his extended family at **Club Corporation of America** in Dallas, Texas. **STEVE THARRETT**, Vice President Athletic Development of Club Corp, a protégé and friend of Bob Dedman's, may have said it best when I spoke with him right at press time, "Our company was all about the spirit of family that Bob provided for all of us. He was a great and very humble person and he will be tremendously missed by all of us." Bob Dedman, Sr. was 76 years of age. May he Rest In Peace.

● I am very saddened to report to you the passing of **LINDA GERBER**, the wife of Western Athletic Club's **JIM GERBER**. Our heartfelt condolences go out to Jim and his two children. Linda fought a long and tough battle with cancer and left us on Thursday, August 15<sup>th</sup>. Linda put up the ultimate fight, and although very ill, she attended the IHRSA Founders Reunion

Dinner with Jim in San Francisco in March, 2001. Linda and Jim were married 33 years. May Linda now Rest In Peace and may God Bless her family.

● **September 11<sup>th</sup>** will be here before we know it, so I want to take a moment to comment on the events of that day that changed all of our lives forever. Things really are not the same anymore and I, for one, think that we should all be emotionally preparing ourselves for what is to come. I do not believe that these nuts are finished. I just hope and pray for those that will be fighting in the battles and/or attacks that are to come. I sure hope my hunch on this is totally wrong. Things that we can do are to love our families and be with them more, look out for our fellow man and just in general reach out to our fellow Americans. And, let's all pray for peace in our time between the factions that are allowing hate to destroy any prospects for peace. We, as Americans, should all be so thankful to God for the fact that we are a chosen few, a group of less than 300 million people out of 6 billion on this planet that live in the greatest country in the world. And, we should all be thankful that we are involved in an industry that is so good and helpful for the lives of others. God bless America!

● Congratulations to the one and only **BILL PEARL**, as he will receive the

**Lifetime Achievement Award**, from **WALLY BOYKO'S National Fitness Trade Journal** in Las Vegas on September 12<sup>th</sup>. Also, congratulations to the **Distinguished Service Award** recipients this year, **MARK CLAYTON**, President of **Fitness Equipment Source**, **CHET GROSCKREUTZ**, **Ivanko Barbell Company**, **KEVIN LAMAR**, the **Nautilus Group**, **ED PRYTS**, **Cybex International** and **DAVID SAN-DERSON**, **Precor**. **Wally Boyko** has quite a show set up at the **Rio All Suite Casino and Hotel** and it will include: a **Welcome Reception** sponsored by **Aphelion and Enercise**, free admission to both seminars and the trade show, **World Gym University**, the **Ms. Fitness USA** and the **Ms. Fitness World** contests, **Aphelion University**, and a **Golf Classic** sponsored by **Star Trac**. To book a \$119 per night 600 sq.ft luxury Rio Suite, call: 1.888.746.6955 and use code: **GMSFIT**, but call right away as the special rate offer expires Sept. 2<sup>nd</sup>. Hope to see you there as I will be attending the show and exhibiting there. Also, be sure to visit our advertisers, **Life Fitness** and **Ivanko Barbell Company** at their exhibits.

● The **Club Industry Conference and Trade Show** will be held in **Chicago, October 9-12<sup>th</sup>** and we hope that you have made or will make plans to attend. This is one of the greatest events of the year and clearly worth the time and expense to be there. Be sure to stop by the exhibits of our advertisers and buy their products! Here are the Exhibit numbers for you: **Life Fitness - #501**, **SalesMakers-#870**, **Affiliated Acceptance Corporation # - 763**, **Fabiano Designs International - #871**, **International Fitness Club Network - # 577** and **Check-Free Health and Fitness - # 450**. For information go to the Club Industry Website: [www.clubindustryshow.com](http://www.clubindustryshow.com) Hope to see you in Chicago!

● Congratulations to **CASEY CONRAD** and **RICK Dyer**, as they have celebrated their second Anniversary of the launch of **Healthy Inspirations, Inc.**, the weight loss clinic chain. Check out the article on page #6 of this issue for an update on one of the best

income growth business opportunities to come along for club owners in a long time.

● **KAREN WOODARD**, the President of Boulder, Colorado-based **Premium Performance Training**, and a former cover-girl for **The CLUB INSIDER** News, has announced a two day hands on **CLUB SUCCESS** workshop in Denver, Colorado, October 3<sup>rd</sup> and 4<sup>th</sup>. Day one will include sessions on: **Etiquette and Social Skills for Service Excellence** and **Bottom Line Growth and Strategies for Success**. Day two will include a full-day session entitled: **Strategic Planning—The Power of the 3 P's: Profit, Pro-activity and Pleasure**. For information go to here Website: [www.karenwoodard.com](http://www.karenwoodard.com) or call: (303) 417-0653.

● Congrats also to **LYNN HOGGAN**, the President of **Hoggan Health Industries, Inc.** as his company is celebrating its **25<sup>th</sup> Anniversary!** Check out the story on page #26.

● The ink was hardly dry on my July issue of **The CLUB INSIDER** News in which I featured a story on **GORDON JOHNSON** and his great success with **Body Training Systems**, when I received a phone message from Gordon telling me his **Gold's Gym** in Douglasville, Georgia had just won **Gold's Gym's Worldwide Group Fitness Award!** It was kind of nice to have such quick authentication of the article content. I think special congrats should also go to Gordon's Group Fitness Director, **LESLIE AUSTIN**, his **Gold's Gym Chapel Hill** General Manager, **STEVE PACHECO**, **SKIP JOHNSON**, also a Manager for Gordon and to all of Gordon's **Gold's Gym** group exercise instructors. #1 of 655 **Gold's Gyms!** Wow! See, I told you that **Body Training Systems** is great!

● **LEE HILLMAN** at **Bally Total Fitness** has reported more outstanding financial results for the giant club chain. On August 6, BTF reported revenues for the second quarter of \$246.4 million, up 14% over last year's second quarter of \$216.5 million. And, Hillman continues to grow net revenue on products and services, reporting

41% growth from \$37.5 million to \$53.3 million. The margin on products and services remained at 37%. Hillman should conduct a clinic on how to grow ancillary revenues as he has done something with that area at Bally that no one has ever done before. And, he now has the percentage of revenue from products and services up from 17% to 21.5%. If you look at all of the top performing health and sports clubs anywhere, it is the growth in products and services that stands out because those revenues are very manageable and represent a growth category that really is not very limited. With these great numbers, I am amazed to notice that Bally stock is down to around \$10 a share and in my mind represents a heck of a good opportunity for investors.

● **ICON Health and Fitness**, the owners of **Free Motion Fitness** (formerly **Ground Zero**), has been awarded the mass-marketing industry's highest award based on a poll of the nation's 100 leading merchandising executives. The annual **SPASRC** (Supplier Performance Award by Retail Category) symbolizes the highest honor that can be paid to a supplier serving the mass-market industry.

● Our former cover story folks at the **Health Fitness Corporation** continue to do good things under the leadership and guidance of **CEO, JERRY NOYCE**. On August 13, HFC announced the results of its 10<sup>th</sup> successive profitable quarter. For the six months ended June 30, revenues were up 2.8%, with net earnings up from \$878,900 to \$1,558,500. **Congratulations Jerry and HFC Team!**

● **ROYCE PULLIAM**, one of the **Gold's Gym** organization's top independent owners, has announced the opening of three more gyms in November, December and January, bringing his total to 12 locations. With these facilities open he will become the world's largest **Gold's** franchisee with footage in excess of 500,000 and membership in excess of 100,000. It is guys like **Royce** and **GORDON JOHNSON** of Douglasville, Georgia, that give **Gold's Gyms** such a good name.

● **STAY TUNED! AND GOD BLESS AMERICA!**

Norm Cates'  
**THE Club Insider**<sup>®</sup>  
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# Healthy Inspirations is Rolling!

By: Casey Conrad

Wakefield, RI - July marked the two-year anniversary for HEALTHY INSPIRATIONS Weight Loss & Lifestyle Program, founded by long-time industry consultant Casey Conrad. The first licensee opened their doors in July, 2000 and just two years later to the month the company reported a total of 44 licensees, spanning 5 countries and 14 U.S. States. About one-third of the locations are stand-alone facilities, while the other two-thirds are inside a health club or some other fitness or medical-oriented facility.

To mark the anniversary and to provide an educational and networking forum, HEALTHY INSPIRATIONS Inc., the licensor, held the first annual owners' retreat July 13th - 15th in Rhode Island. Over 50

owners and managers, representing 18 of the licensees attended the busy 3-day retreat, which included a variety of lectures and workshops to help provide operators with more success tools. Some of the highlights included new supplement offerings, new operations software, an all-new website address and design ([www.healthyinspirations.us](http://www.healthyinspirations.us)) and many new marketing ideas, campaigns and printed support materials.

Industry vendors who attended the retreat and provided educational seminars included Allison Whitaker, Healthcare & Fitness Concepts (Tanita representative), Steve Freedman from Getmembers marketing company, Carol Oat from Twin Oaks Software, Pete Moore from Fitness Venture and Kelvyn Cullimore from Dynatronics.

Ken Ryder, a World's

Gym owner from Virginia was the first HEALTHY INSPIRATIONS licensee. When he and his wife, Sharree, opened a center inside their health club, they were bringing in an additional \$15,000 profit per month-and happy about it. At the retreat they reported a 300% increase.

Rick Dyer, Vice President of licensing for HEALTHY INSPIRATIONS projects that the company will have close to 75 licensed facilities by the end of 2002. "Given that we haven't even marketed this program aggressively yet, it is very realistic that we will hit those numbers. Now with our infrastructure and technology firmly in place, we will begin to market to Casey's extensive data-base of former client's and contacts. That said, we will still continue to control growth, ensuring licensees are launched successfully and given

the support they need.

When asked how he feels about the program and the first retreat, Ryder said this. "The growth I have witnessed in this program-both at my center and as a company-has been phenomenal. The excitement and professionalism displayed at the retreat makes me realize that we are truly on the ground floor of a business that is ready to explode. As the word gets out about the results our clients are achieving, our reputation continues to grow and so does the business. We are making great money and we realize that we are making a difference in the lives of others." Two months ago the Ryders opened their second facility in Virginia and are in the midst of plans to open a third sometime next year.

HEALTHY INSPIRATIONS is a turnkey weight loss program that can be licensed

into an existing health club or opened as a standalone facility. The program guarantees 2 to 3 lbs. of weight loss per week using grocery store foods, moderate exercise and relaxation treatments. The new web address is [www.healthyinspirations.us](http://www.healthyinspirations.us).

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Casey Conrad, long-time industry consultant, has developed a complete turnkey weight loss program that's designed to be installed within health clubs that combines proven weight loss programming with sales, service and marketing systems. It's easy to fit into almost any layout. It can add a valuable service to your existing members and help you attract an additional target group within your local area. Most importantly, it is proving to be a huge profit center. It's called HEALTHY INSPIRATIONS and to date there are 26 licensed locations in 10 states & 5 countries.

Call today to receive a FREE 12-page info-pack that gives you an executive summary of how HEALTHY INSPIRATIONS can give you extra profits and a valuable service to your club.

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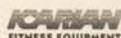
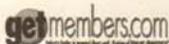
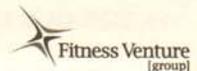
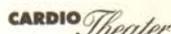
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# Lead Generation Basics – CREATE Don't Wait.

By: Karen D. Woodard

The purpose of this article is to cover some of the basics that are so elementary we forget them. What inspired this article was working with a client recently that has strong, producing membership sales departments in all of their clubs. I have worked with this client for a while and they have a very healthy advertising budget. However, what they wanted for a portion of our training time together was some basic lead generation tools that did not come from the advertising budget.

Here are some of the

basics we discussed that you might want to check in with yourself to see if these are part of your consistent plan:

- As a Membership sales representative, your job is to generate business, not simply take the walk-ins and call-ins. When you practice this perspective, your sales will grow more than you know. Think about it this way – CREATE, don't wait.

- Increasing your lead generation efforts with the right activities is sales success insurance. Regardless of your sales skills, when you increase the number of people you intentionally speak with about joining your club, you will sell

more memberships. Clearly, you want to always be improving your sales skills – think about it this way... even those Membership sales representatives that are "100%" closers will not hit or exceed goals if they are not speaking to enough people.

- Your personal lead generation plan should have four components operating on a consistent monthly basis. These components include referral activities, alumni Member activities, corporate activities (both new accounts and growing current accounts) and community outreach activities. Bear in mind, you also want to have a membership sales goal for each of these activities. For example: referrals = 10, alumni = 3, corporate = 5 and community outreach = 5. That is 23 membership sales generated from your own activities. That is 23 in addition to the call-ins and walk-ins you will get from the club. How would 23 more membership sales impact your bottom line? Think about that over a 12-month period – you would create 276 more sales. Oh yeah!

The previous three principles are those things that you probably *know* but may not be *doing*. As you and I both know, there is a big difference between knowing and doing. The following three tools are easy to implement ways for you to make your referral part of the equation happen consistently.

### Relationships, Relationships, Relationships.

The highest performing Membership sales representatives are the ones that have the most relationships. They know that creating good, genuine relationships with Members produces consistent referrals. My encouragement to you is to introduce yourself to 5 Members everyday that you do not know. We typically only speak to the Members we are comfortable with or know well. By introducing yourself to 5 Members daily that you have not yet met, you will increase the circle. When you introduce yourself to them, it is not to ask for referrals – it is to introduce yourself and begin a relationship. Once you have met them

and have spoken to them a few times, it may then be appropriate to talk with them about referrals. Give it some time to build. Think about introducing yourself in the following way:

"Hi, I don't think we have met yet. My name is \_\_\_\_\_ and I am in the Membership Department here in the club and you are?"

Good to meet you \_\_\_\_\_ How is the club working for you?

How long have you been a Member with us?

Well, good speaking with you and if there is anything I can do for you, please let me know. I hope to see you again. Enjoy your visit."

### Dollars from Day 1

Note the referral-prospecting tool for you that also combines a retention element. The very first day of every month you will call all the Members you got started in the previous month. For example, on October 1, you will call all the Members you got started between September 1 and September 30. The conversation will sound like this:

You Bob? Hi!  
This is Karen from the club. The reason for my call is that I wanted to make sure you are finding everything and that you are enjoying the club. How is the club working for you?

Bob Oh man – I love the club! It's the best thing I've done in a long time. Thanks for checking in on me.

You My pleasure. I just wanted to make sure you're comfortable and being taken care of. We talked about a lot of things when you joined and I want to make sure we covered everything. When you joined last month, I don't know if we talked about our Member Referral program. Each month we have a gift for our Members who refer their friends. This month the gift is a very cool fleece vest – you may have seen it in the lobby display.

Bob Yeah – I did see that. It is pretty cool. How do I get one?

You It's easy. All you do is refer a friend who joins this month and it's yours. The promo goes until the end of the month so I wanted to give



Karen Woodard

you plenty of time in case you wanted to get involved. Is there anyone you'd like me to call for you and extend an invitation to the club courtesy of you?

Bob Yeah, actually I have a few buddies that would be interested. Their names are \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and their phone numbers are...

You Excellent Bob! I will give them a call and let you know what happens. And please, if there is anything I can do for you in the club or you have any questions, don't hesitate to let me know.

This tool will allow you to check in with and stay in touch with every Member you have started at the club as well as discuss the referral opportunities with them. My recommendation is that you do this with as many Members as you can every month whether they joined with you 30, 60, 90 or however many days ago.

### Passes in Classes

Passes in Classes will allow you to generate leads within a specified period of time, preferably within two to five days. The way it works is you will divide the Group Exercise schedule among all the Membership sales representatives. You will then pick classes that you will attend for the first minute or so. You will prearrange a brief introduction by the class instructor and he/she will say the following:

"Hey Gang, this is \_\_\_\_\_ from membership and she/he has something for you"

You'll stand up in (see Karen Woodard Page 20)



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# The Creative Leasing Alternative

By: *Cindy Watson*

## Take A Short Course On Advantages of Leasing

The laws affect nearly every aspect of your business—including the way you handle equipment acquisitions. Under the tax law, accelerated depreciation can trigger the new Alternative Minimum Tax (AMT)—leasing may help you reduce the impact of this 20% tax.

Under old laws, the Investment Tax Credit and the Accelerated Cost Recovery System (ACRS) gave incentive

to big ticket purchasers. Now, leasing—the preferred method of acquiring equipment—has more advantages.

For companies that will be subject to the AMT, the purchase of equipment will not only waste tax benefits, but it could also drive them further into debt. Some other important into tax debt.

### The Ease of Leasing

You can acquire the use of equipment for your business for a lot less than you may think. The right leasing plan can put the equipment to work for you for a modest monthly

payment that includes all your acquisition costs. Your lease can be custom-tailored to your financial requirements and your goals.

## Types of Leases

### Finance Lease

A finance lease is a full-payout non-cancelable agreement. You are responsible for maintenance, taxes and insurance. The benefit of this lease type is that you may take advantage of IRS Section 179 and expense up to the amount allowed for the year the equipment is in-stalled. You may depreciate any excess on the depreciation schedule for that particular asset.

- \$1.00 Buyout Lease. Allows you to own the equipment at the end of the term of the lease.

Example: The equipment is installed in 2001 or 2002 and the cost is \$35,000. Using IRS Section 179 and assuming a 33% tax bracket, your tax savings would be  $\$24,000 \times .33 = \$7,920$  plus the depreciation value on the remainder of the \$11,000.

### Tax Lease/True Lease

A tax lease or true lease are leases for which the lessor retains ownership and you as the lessee may be allowed to claim the entire amount of the monthly investment as a tax deduction. Many rental contracts qualify as a true lease.

- 10% Purchase Options Lease. Allows you to either purchase the equipment at the end of the term for 10% the original costs of the equipment or return the equipment to the finance company.

- Fair Market Value Lease (FMV). Provides the lowest monthly payment. When the term is completed, you can either purchase the equipment for the fair market value or return the equipment to the finance company.

Example: Monthly investment is \$1,000. Term is 36 months. Assuming a 33% tax bracket, your monthly tax savings would be  $\$1,000 \times .33 = \$333$ . Total tax savings over

the term of the contract would be \$11,988.00.

## IRS Section 179

Under IRS Section 179, equipment purchases, up to the amount shown below, can be expensed (deducted from taxable income) if installed by December 31st. Finance leases qualify for this deduction in their year of inception.

Any excess above the expensed amount can be depreciated over 5 to 7 years depending on the equipment type.

The maximum amount of asset cost that can be expensed by year is:

- \$24,000 for 2001 or 2002
- \$25,000 for 2003 and each year afterwards

For Example, if you purchase or lease a piece of equipment for \$25,000 and install it in 2001 or 2002, you are eligible to take a \$24,000 tax deduction in the respective year. The remaining \$1,000 can be depreciated over the life of the asset.

## Election to Expense

### Certain Depreciable Business Assets

An expense deduction is provided for taxpayers (other than estates, trusts or certain noncorporate lessors) who elect to treat the costs of qualifying property, called Sec. 179 property, as an expense rather than a capital expenditure. The election, which is made on Form 4562, is to be attached to the taxpayer's original return (including a late filed original return) or on an amended return filed by the due date of the

Financing	\$36,000	
Monthly Payments	\$843 x 30%	Tax Savings = \$253
Number of Months	x60	x60
	-----	-----
Total Payments	\$50,580	\$15,180 = \$35,400

original return (including extensions) for the year the property is placed in service and may not be revoked without IRS consent [94FED, 12, 120]. Employees may make such election on Form 2106.

For 2001 and 2002, the

maximum Code Sec. 179 deduction is \$24,000. The \$24,000 ceiling is reduced by the excess cost of qualified property placed in service during the tax year over \$200,000.

The total cost of property that may be expensed for any tax year cannot exceed the total amount of taxable income (determined after application of the investment limitation) derived from the active conduct of any trade or business during the tax year. Costs disallowed under this rule may be carried forward an unlimited number of years subject to the ceiling amount for each year. To qualify as Code Sec. 179 property, the property must be Code Sec. 1245 property depreciable under Code Sec. 168 and property that is acquired by purchase for use in the active conduct of a trade or business.

An enterprise zoned business (Code Sec. 1397B) is entitled to an increased Code Sec. 179 deduction. The standard \$24,000 annual limitation is increased by the Lessor of (1) \$20,000, or (2) the cost of section 179 property which is qualified zone property placed in the service year.

## A Look at the Math

Here is one example of how taking advantage of tax benefits can make leasing attractive: company a grosses \$5,000 a month and is in the 30% tax bracket. It finances \$36,000 of commercial equipment over 60 months at \$843 per month. Every month, \$843 is deducted from the gross profit, saving \$253 in taxes. Over the length of the lease, the tax saving pay for the lease financing.

## How To Pay For It?

### Option #1: Pay Cash

1. Tax consequences:  
(See *Cindy Watson* Page 20)

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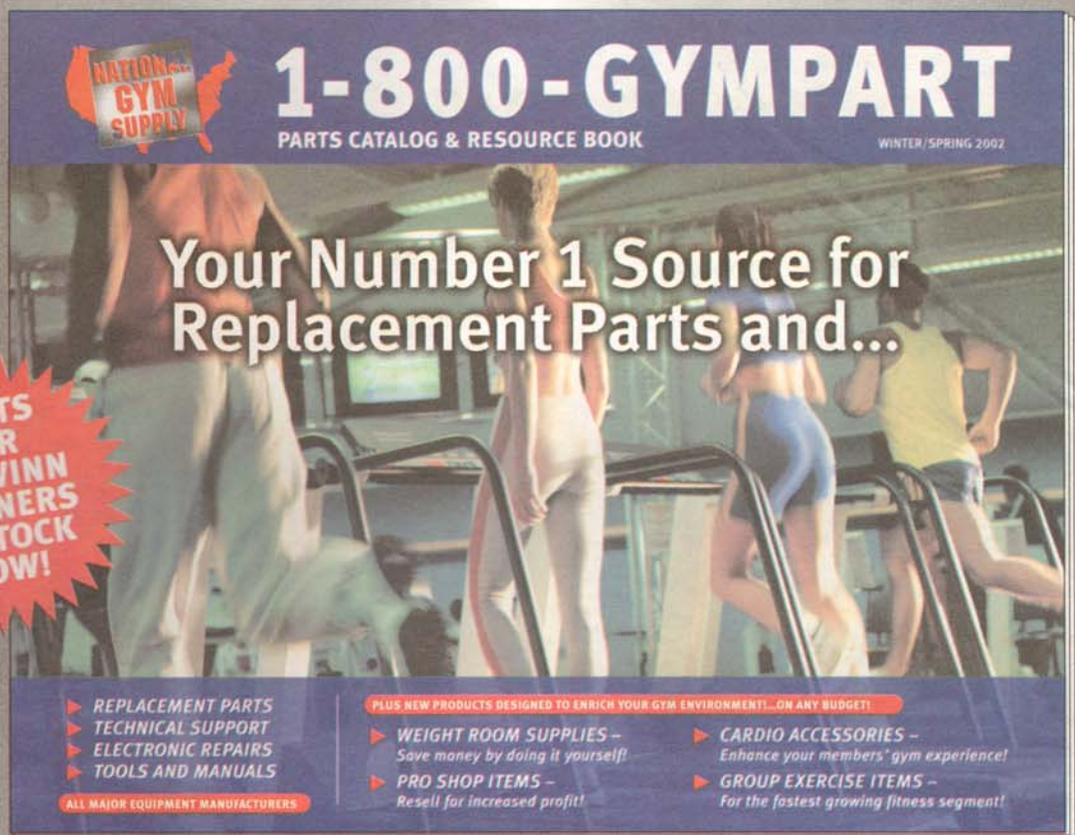
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One of the most amazing things that we heard was how positive the reaction was from people who saw the plates on display on machines in other booths...your members will have the same reaction.

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### ...Bill Pearl

continued from page 3

#### An Interview With The One and Only - Bill Pearl

This writer learned to lift weights at age 14. At that time I worked out with a fellow who had some weights and a bench in his garage. And, guess whose picture we had on the wall in that garage in Rome, New York in 1960? You guessed it. Bill Pearl's photo was prominently displayed so we could be motivated by his amazing physique each day. So, it is my great honor and pleasure to present this special interview with the "Father of Modern Bodybuilding", Mr. Bill Pearl.

**Q.** "Bill, one of the questions I don't have on the list I sent you is: "How many times do you think you may have been interviewed in your life?"

**A.** Oh, I don't know. It would think it must be in somewhere in the hundreds.

**Q.** How old are you now Bill?

**A.** I am 72 years old.

**Q.** Bill, that's hard to believe. When did you start weight lifting?

**A.** I started lifting weights when I was a ten-year old kid. I honestly felt my weight training would take care of all of my problems in my life. I felt that if I got big and strong, people

would not make comments about me. It was my salvation then and it is my salvation now!

**Q.** How and when did you get involved in competitive bodybuilding?

**A.** I got involved in competitive bodybuilding in 1952 when I was in the United States Navy. I was stationed in San Diego, California. I served on two submarine tenders. I joined Leo Stern's Gym. I had read about Leo in magazines when I was a kid growing up and he was one of my idols. I just thought Leo was the greatest and, I still do until this day. Leo and I still talk once a week and he still is the closest friend I've ever had. He is the closest to my father as anybody on earth today. I joined his gym and in 1952 I placed 3<sup>rd</sup> in the Mr. San Diego contest and that was my first competition.

**Club Insider-** Bill, you have a lot in common with another fellow that was in the Navy early in his competitive career, Red Lerille.

**Bill Pearl-** I know Red real well. When I first met him he was in Hawaii. I had gone over to Hawaii and was giving posing exhibitions, and as part of Red Lerille's winnings was the opportunity to travel with me throughout the islands while I gave these exhibitions. I was being paid, but Red didn't make any money on that at all. On top of that, after Red left the Navy, he came to our health club in Sacramento, California, and trained there before he won the

Mr. America contest. Red is a sweet guy and we are still good friends.

**Q.** Bill, as you grew up and began moving toward competitive bodybuilding, who were some of the role models that you were emulating?

**A.** The person I thought was the most God-like of anybody of course was John Grimek. When I had to write a paper in school about someone I idolized and thought was a role model, it was John Grimek. Grimek was one of the first Mr. America contest winners in 1940 and 1941. Also, there was Luis Cyr and Eugen Sandow who were old-time strong men around the turn of the century. I was fascinated with their feats of strength and tried to do them myself, I'd do things like a 100-pound snatch out in our front yard and drove my Dad nuts with the divots in the grass. Those were the people that inspired me and that I emulated as I grew up.

**Q.** When did you get involved in your first health club?

**A.** I was discharged from the Navy in 1954 and I went to Sacramento, California. I opened my first health club there with a grand total of \$2,800 I had saved in the Navy for four years. I rented the building and put home-made equipment in there and one Sears and Roebuck metal shower and actually made a living out of that facility. What I did in that particular gym was to upgrade the equipment from other gyms that might go out of business. That facility grew to a point where it was one of the nicest clubs in Northern California, but it started out from a \$2,800 investment.

**Q.** How big was that facility?

**A.** It was 3500 square-feet. We had no air conditioning at all and no parking. It was all street parking. The only sign that I had up was about 18 inches long and it said, "Bill Pearl Gym." The only advertising I could afford to do was word of mouth. By that time Sacramento was over 200,000 population and I had the only gym in town.

**Q.** Were you inundated when you first opened?

**A.** Well, since I was a Mr. America winner, I catered to the hard core bodybuilders for several years until in 1961 I went to work as a consultant for

North American Rockwell. That was the first time that I understood that there were other people in the world besides hard core bodybuilders. That was probably one of the best stepping stones in my life because I came to realize that physical fitness went way beyond the 19" arms.

**Q.** Do you own a health club now?

**A.** No. I have a 3,500 square-foot gym in a barn behind my home and it is loaded with equipment that I've collected over the years. I train there every morning. I get to the gym at 3:30 in the morning and I train until about 5:30 a.m. six days a week.

**Club Insider-** Well, you and Red Lerille are truly early birds!

**Bill Pearl-** Yeah, I think Red learned that from me. The reason why Norm, is that I'll give the world 22 hours a day, but I won't give it 24 and there is nobody I love more than me, so I want to take care of me before I try to take care of the rest of the world.

**Q.** Over the years Bill, how many awards have you won?

**A.** Well, let me get my bio and I'll cover it for you. (Bill then reviews his amazing track record and it is shown on the sidebar on this page.)

**Q.** Beyond your bio, tell me about your life Bill, decade by decade.

**A.** Every decade you mentioned has been a learning process for me. In the 1940's I was just trying to learn to be part of humanity. In the 50's I was getting better. The early 50's were kind of a trying time for me because I came onto the bodybuilding scene so quickly. To be perfectly honest, if it hadn't been for Leo Stern, there would have been no Bill Pearl, the bodybuilder, because Leo was my mentor. The bottom line was that although I was winning all of those contests and getting a lot of notoriety, I didn't have a clue about what I was doing. So, it was a process of me trying to become more professional because I felt I owed the sport a great deal. And, I wanted to be a mentor to other people as Leo had been a mentor to me. Of course, in the 50's I got involved in raising a family. By the 50's I was married and had three children. I had to feed these guys. I have

been married twice. My first wife and I had three children. My oldest daughter is Kimberly, my son is named Philip and I have a younger daughter named Rene'. My ex-wife remarried and had two other children, Heather and Hilary. So, when my three kids came to visit, her two children came as well. So, I not only have three children, I honestly have five. I love all five of them the same, as if they were my own. My wife Judy and I have been married 35 years now and we have not had children together. We treat these kids just like they were our own, and she is loved by them just like they love their Mom.

**Q.** So, that brings us into the 1960's doesn't it?

**A.** In the 60's I had some tough times with the divorce. I moved from Sacramento down to the Los Angeles area and I bought George Redpath's gym. It had been founded in 1949 and was the 3<sup>rd</sup> oldest gym in the L.A. area. I ran the gym for about ten years. From there I moved to Pasadena, California and opened the last health club that I owned outright, and I was there until the early 70's. Toward the end of the 70's I moved to Oregon and was going to retire. That lasted about two weeks. I got involved in writing exercise books in the late 70's and 1980's. I've been as successful in my writing as anything I've ever done. The big "Keys" book (Keys to the Inner Universe, An Encyclopedia On Weight Training) which came out in 1978 and that was self published, is in several languages and we've sold 200,000 to 300,000 copies. My wife Judy and I are the only people that have ever processed the orders for the books, so every one has passed through our hands. On top of that, we also wrote a book back in 1983 called "Getting Stronger" and it sold over 1.2 million copies. So, I've been very fortunate. (See Bill's awesome Website: [www.billpearl.com](http://www.billpearl.com) which includes a description of his books and a wealth of additional information). In 1988 I got involved with Life Fitness and have been a spokesperson for them since then.

**Club Insider-** What a great company Life Fitness is!

**Bill Pearl-** You're not kidding Norm. Life Fitness has made (See Bill Pearl Page 18)

#### Bill Pearl's Career History

1953 Mr. Southern California

1953 Mr. California

1953 A.A.U. Mr. America

1953 NABBA Mr. Universe, Amateur

1956 Mr. U.S.A. Professional

1961 NABBA Mr. Universe, Professional

1967 NABBA Mr. Universe, Professional

1971 NABBA Mr. Universe, Professional

1974 WBBG World's Best Built Man

1978 Inducted into WBBG Hall of Fame

1988 Inducted into Pioneers of Fitness Hall of Fame

1992 Inducted into Gold's Gym Hall of Fame

1994 Guest of Honor for the Association of Old-Time

Barbell & Strongman 12<sup>th</sup> Annual Reunion

1994 Inducted into The Joe Weider Hall of Fame

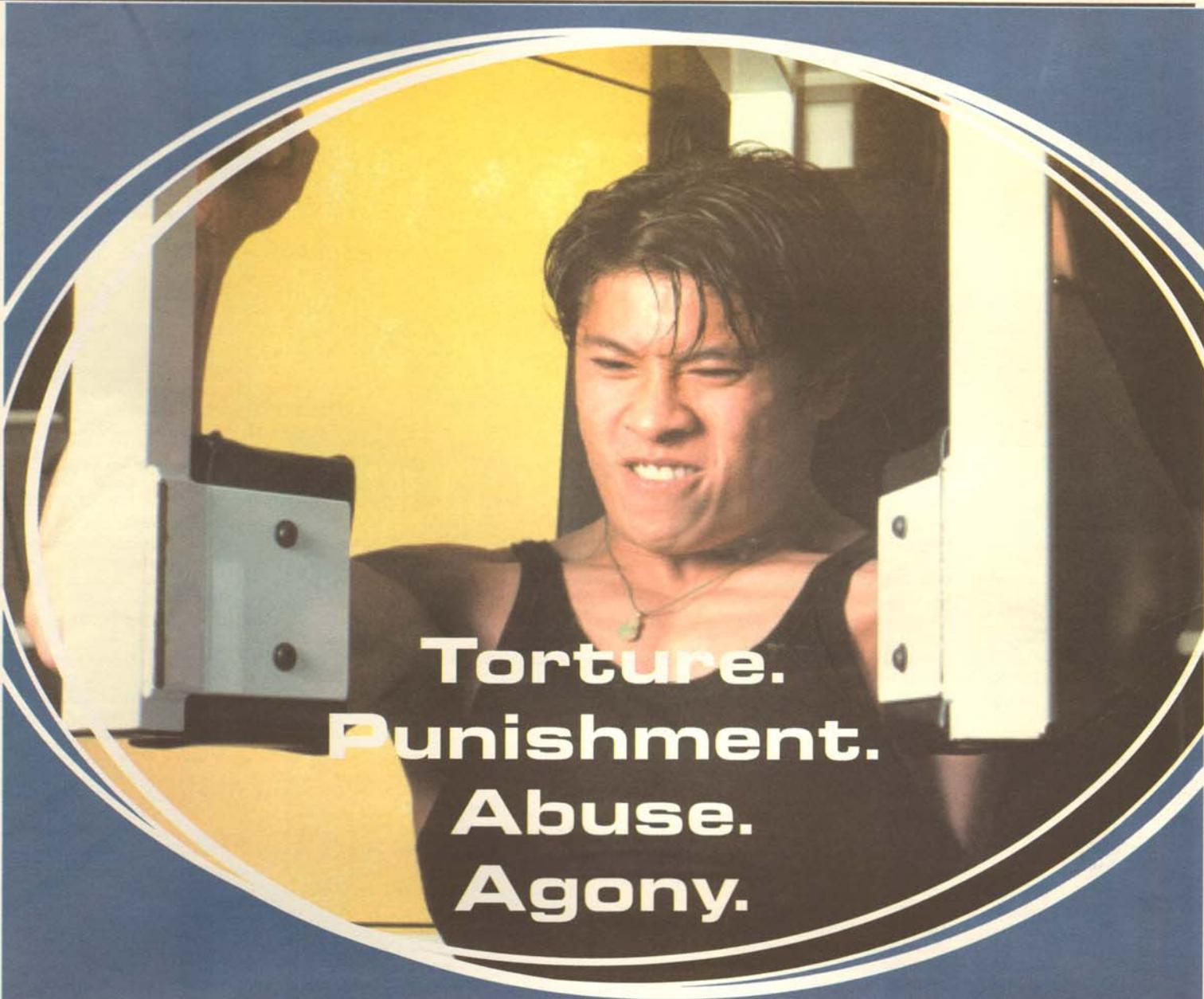
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### ...Bill Pearl

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our lives (Judy and my life) so much easier, especially as I'm growing older. It is a miracle that a person my age can have a job, but to be so fortunate to work for such a phenomenal company as Life Fitness is just terrific!

**Q.** Bill, describe your working relationship with Life Fitness?

**A.** I serve as a spokesperson for them. During these years I've traveled on average 200,000 mile per year giving appearances, demonstrating equipment and serving as a spokesperson. It's getting to the point now when people ask me what I do for the company I tell them I'm like the WalMart "greeter!" I stand around the shows and shake everybody's hands and keep on smiling and tell them I hope they're having a nice day. It has been really nice for me. I just keep on smiling and saying good morning.

**Q.** What would you tell our readers out there that own health clubs to help them get more people to start exercising?

**A.** It depends on what market you're trying to hit, Norm. As an example today, most health clubs that I'm aware of are catering to people that are 19 to 39 years old. What's driving these people into those clubs is not fitness, Norm, it's some type of cosmetic affect from fitness. I hate to say this, but sex is a large part of this. When we understand that 52% of the population of the United States is now 50 years old or older and we're only getting about 2% or 3% of that over 50 group regularly exercising, it is clear that the marketing we're doing to draw them into the health club is totally wrong for those people. What we have got to do is to become as sharp and highly educated in how to promote lifestyle changes as medical doctors are in prescribing and administering different medicines to correct these problems! When we do that, we're going to be a lot better off. As it stands today, if your Mom and Dad are sick, they're going to opt for medication rather than a lifestyle change to correct their problems.

**Club Insider-** Bill, you are so right! I have a wonderful 84 year old step-Mother and she is

taking 7 different medicines! **Bill-** O.K., there you go. She's relying on that for her longevity, Norm. Well, we've got to start preaching a totally different concept in our advertising and marketing if we want to approach this over-50 group of people who have the bulk of the spare time that they can afford to spend and they definitely have the money to spend. But, we're not attracting them to health clubs because we're marketing to the wrong group of people! And, I also feel that we are as equally as bad at marketing to the pre-teens as we are in marketing to the over-50 population. If you want to get a person not to smoke, don't tell him not to smoke when he is 13. Tell him not to smoke when he is 3 years old.

**Club Insider-** Raise him that way.

**Bill-** That's exactly right.

**Club Insider-** That's good advice Bill. I guess as we get more mature as an industry we will get better at reaching the over 50 markets and the pre-teen group.

**Bill-** Well we are going to have to Norm. We've got to wake up! If the health club business continues on like it is today it is going to run out of customers. That's all there is to it. 99% of the health club operators today are vying for the same market between the ages of 19 and 38 and the rest of the population in the world is going bye-bye! But, the population is growing older and older and they're not doing a thing to get those people into their clubs! It could be a dooms day for us!

**Club Insider-** Bill, I really appreciate you sounding this alarm as you have. I'm not sure that people really truly understand the depth of this issue as well as you understand it or are even close to your understanding. There are just a very few true pioneers in this 50+ segment of the health club industry that understand and appreciate this issue. People like Dennis Keiser, Sandy Coffman, Colin Milner, David LaHait, Glenn Colorassi and the folks from NuStep. They have been focused on this issue for a long time, but they are fighting an uphill battle. I hope these truly excellent words of wisdom from you will help them in their efforts and will encourage many other club operators around the

country to sit down and really think through this problem and figure out proactive steps to do something about it. Otherwise, I think you are so right in your statements here today.

### Good Advice For Health Clubs

Thank you Bill for "telling it like it is" on this very important subject. If club owners don't heed Bill Pearl's "wake-up call" the club industry could be destroyed as we know it. When it happens, it will be too late for the health club operators that have continued to focus on just the 19-39 group to change what they are doing overnight. The health clubs that start to move their focus to the over 50 market now will be the ones that will survive and prosper in the future.

**Q.** Bill, what would you say the biggest challenges that are facing equipment manufacturers?

**A.** One of the challenges is that everybody is looking for a new gimmick to take care of a problem, rather than sticking to the basics. For example, they come up with all types of different gadgets to get people to exercise. So, they become bored. Then, they have to come up with some more gimmicks. The whole thing is based on one lie after another.

**Club Insider-** In other words, you're saying just stick to the basics and do the things that we know from experience that work.

**Bill -** Yes. And, preach that and teach that. Rather than come up with some hot dog piece of equipment that is going to solve all your problems. Then, after six weeks, they say that wasn't the answer. So, the whole industry is based on one fad after another. And, the stuff that is on T.V. where they promise fitness in just 20 minutes - 3 times per week is just asinine, Norm. The single biggest problem with the entire industry today is that truth is not a high priority for some people.

**Club Insider-** Well Bill, you're talking to somebody that has vowed to "tell-it-like-it-is" as a journalist, even when I know it is going to piss someone off. I have kept my vow now for almost 9 years and I just don't hold back if its got to be said.



Bill & Judy Pearl

**Bill-** Well, I think that it's important that you do "tell-it-like-it-is" because that's how you're going to keep your credibility. Because, if you're at this stuff as long as I have been and you were to come up to me with some type of gimmick and told me it was the answer to all of my problems, I'd say, 'Yeah, well the only thing that is going to answer all of my problems is death!'. That would cure everything, Norm. But, seriously. The way some of these equipment people make promises that if you stay on a particular piece of equipment for 30 minutes 3 days a week, you'll get sure results, it is not true. Your body acclimates to a particular workload and it becomes so proficient in doing the exercise, in many instances you're actually wasting your time doing that day after day after day with very little gains whatsoever from it.

**Q.** Bill, as one of the greatest health and fitness pioneers and legends in the history of the world, could you comment on your life, could you summarize it for us?

**A.** When I read articles about my career and they talk about the legend and all this, the person that is the most surprised is me. I don't know how all this came about. I don't have a clue. All I know is that when I was a young kid I wanted to get big and strong so that if anybody gave me a bad time I could defend myself. One thing led to another. I got into business, but I had to make a living. But, I was lucky enough that the business continued to improve and I was dumb enough to stay

with the business all of these years. All of the rewards in my life that I've received are because of the 11 bodybuilding contests I entered during my entire bodybuilding career. I find it amazing that those 11 days in my life have made such a huge and positive impact on my 72 years! I am in awe over this more than anybody.

**Club Insider-** Well Bill, humility is one of the great things that you have. Everybody respects and admires you so much. Over the years a number of people have commented to me about how nice you are to everyone and how well you always treat people. It is really nice to see someone that is truly a legend in his own time and has the track record that you do, but is still as nice and treats people as kindly as you do. You are without a doubt one of the greatest people for our health club industry that ever lived and we thank you for it.

**Bill-** Thanks Norm.

*(Norm Cates, Jr. is the Publisher of The CLUB INSIDER News which will complete 9 years of publication in November, 2002. Cates is a 29-year veteran of the health, racquet and sportsclub industry. He was the 1<sup>st</sup> President of IHRSA and a Co-founder of the Association in 1981. Cates was honored by IHRSA with its highest honor, the DALE DIBBLE Distinguished Service Award, in March, 2001. Cates may be reached on email at: clubinsidernews@mindspring.com or by phone at: (770) 850-8506.)*



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...Cindy Watson

continued from page 12

customer must depreciate the equipment over a scheduled period of years.

2. Paying cash depletes working capital and interfere with growth objectives.

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1. Banks require collateral and will usually finance

only 80% of the equipment costs.

2. Banks have strict lending policies and require extensive paperwork (i.e. financial statements, tax returns, personal financial statements and a cash flow analysis).

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3. Most leases are tax deductible and considered as an operating expense.

4. The equipment is

used as the collateral unlike a conventional loan where home and other valuable assets are needed.

5. Leasing allows you an additional line of credit rather than typing up your bank line of credit or using other operating funds.

6. Off balance sheet financing will disturb customer credit lines.

7. To conserve your capital

8. To expand your budget

9. To take advantage of inflation

10. To finance taxes and other costs

11. To maximize your tax advantages

12. To plan for growth

13. To obtain longer terms.

(If you have any questions or concerns about any of the information stated in this article, please feel free to call Cindy Watson at First Financial (800) 956- 7313.)

...Karen Woodard

continued from page 8

front of the class and say:

"Hey everybody, my name is \_\_\_\_\_ from the membership department and I have 5 guest passes that are good from today until the end of this weekend.

They are designed for your friends or family who might be interested in joining the club. Here's the scoop: as a courtesy to your guest, when they join this weekend, they get \_\_\_\_\_ and because you referred them you get \_\_\_\_\_

Who would like a pass?"

You would proceed to give them a pass and generate more leads for you weekend or whatever time frame you choose to have them be valid.

The tools in this article are sales basics that should be practiced at all times. By implementing these tools, you will see your sales grow. Remember, CREATE don't wait.

(Karen D. Woodard, President of Premium Performance Training in Boulder, Colorado is an international author and consultant devoted to successful sales, operations and management training. She has owned a variety of clubs since 1985 including a body/mind center, 3 fitness centers, and 2 indoor rock-climbing facilities. Karen offers books, tapes, manuals, on-site and on-line staff training. Contact Karen at 303.417.0653 or Karen @karenwoodard.com)

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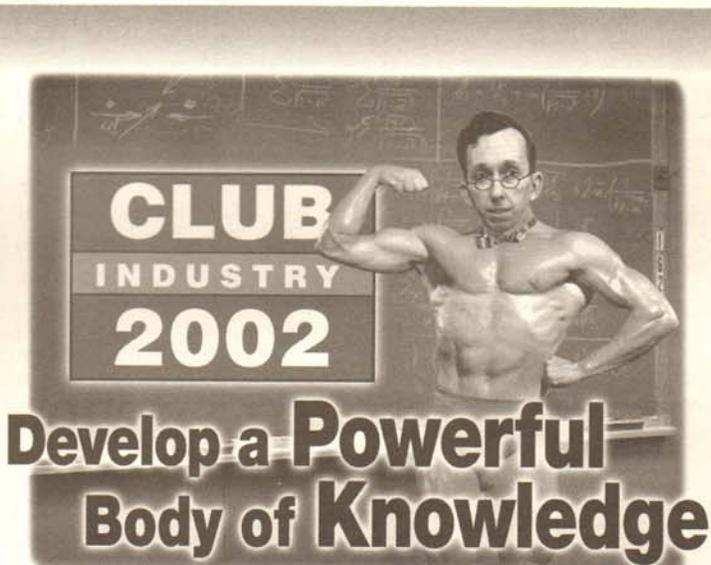
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# Global Fitness Scoring Big With Body Training Systems!

By: Norm Cates, Jr.

## An Interview With John Bonica

In case you have not figured it out yet, The **CLUB INSIDER** News publishes important articles every month that if you will just read, study and apply the lessons learned in them, you will make more money and you and your family will have a better life financially due to improved performance in your club. In our July issue last month we reported to you about the huge success Gordon Johnson was having with Body Training Systems group exercise classes in his Gold's Gyms in Douglasville and Marietta, Georgia. To document that we do provide you with important and meaningful articles let me share the good news Gordon Johnson received in Las Vegas in July. The ink was hardly dry on our July edition when I received a voice mail from Gordon Johnson. He was calling me from his cell phone and was elated to inform me that his Gold's Gym in Douglasville had just been named the #1 Group Fitness Program in all 655 Gold's Gyms worldwide at the recent Gold's Gym Convention in Las Vegas! So, that terrific development should provide each of you that have been holding back even more evidence that should persuade you to pick up the phone and call Body Training Systems and learn about what they can do for your club(s).

I am going to go ahead and make this statement and this prediction. First, let me just say that Body Training Systems is the single most important opportunity and profit growing development in the history of the health club industry since Nautilus and Lifecycle were invented. I will predict that the Body Training Systems will grow to become the dominant factor in the industry world-wide, bigger than any and all rooms full of equipment. So, to summarize, let me say this. I am sure you have equipment and probably lots of it. If you want to improve your club's financial performance and strength to the point where you can expand your club even more and add

even more equipment someday, now is the time to call Body Training Systems. I say again and repeat for you to please read and take action: NOW IS THE TIME TO CALL BODY TRAINING SYSTEMS! Read on and learn about John and Cathleen Bonica's Global Fitness Center success in Leominster, Massachusetts and you will be ready to pick up and dial the phone for sure!

### Global Fitness's Great Success With Body Training Systems Classes

John and Cathleen Bonica have owned and operated Global Fitness in Leominster, Massachusetts for 10 years. During that time they have worked hard to build the 22,000 square-foot fitness facility to become a financial success. However, until they became involved with Body Training Systems in 1999 they had not experienced anywhere near the financial success they have dreamed up. Now they have.

Global Fitness has an 8,000 square-foot Life Fitness and Icarian equipped workout floor, cardio machines, a 2,500 s.f. group fitness studio along with lockerrooms. Bonica had gotten into business 10 years when they inquired their original facility and moved into their present location 4 ½ years ago.

**Q.** John, describe your group exercise program at Global Fitness before you and Cathleen got your club involved in Body Training Systems 3 years ago?

**A.** Well, it's funny because as we were designing our new facility about 5 years ago in preparation for our move, we actually planned on not having any group fitness. That was because we were just so frustrated with instructors, we didn't really have a good concept of what group fitness could mean to the business. We just figured we would have a big cardio equipment area and that would be enough. We were just so frustrated by undependable instructors that would not show up and we were very apprehensive about putting a big investment into a sound system, microphones, etc. **Q.** So John, bottom line was you all had the same problems people all over the country

have: a lack of professionalism in the instructor groups and therefore daily operational problems caused by instructors that don't give a damn about anybody but themselves, right? **A.** Oh yeah! I hated it! I hated group fitness! (We called it aerobics then). The only time I ever went into the aerobics room would be to let people know an instructor wasn't going to show up or the microphone was broken, etc. So, our group fitness director at that time convinced us that we would lose business if abandoned group classes altogether. So, we decided to start in this location with just a 1,600 square-foot group fitness studio in the corner of the space we originally had planned to lease out to a physical therapy operation.

**Q.** How did you get hooked up in Body Training Systems?

**A.** Well, it's funny because we were doing the pre-sale for the new location and I hired a company to help me out and one of the guys they sent here to sell memberships was from Australia. He kept telling me about the Body Pump classes down in New Zealand that had three hundred people in the classes and he kept telling me that we had to get these programs for our club. He said it would revolutionize my business. So, I kind of took it with a grain of salt at that point, given all of the frustration we had experienced with aerobic classes to that point. Then, I happened to get a mailer from Body Training Systems about a 90-day, no risk offer. So, I decided at that point I decided if we were going to have group fitness I wanted to make a run at doing it professionally. All of their marketing material intrigued me. BTS told us we could train anybody, so I grabbed my Group Fitness Manager at the time, my best personal trainer, my top aerobic instructor and myself. Four of us, including myself, got certified. I'll tell you, when you go to the training, one of the first things you do is a Master Class. By the end of the Master Class, we knew we had something HUGE. We all got trained and certified. By the time we launched the program, we had such a frenzy in the club, I can't even explain it Norm. People would come into the club an hour early to get a reservation

ticket and they would wait in line for the class.

**Club Insider-** Isn't that great!  
**Bonica-** Body Pump was the first BTS class we installed so, I bought as many Body Pump bars/weights as I could fit for that room. We knew we something really special here. Members just loved it. Our landlord came to me and said he had an additional 4,000 square-feet available, so I grabbed it immediately. I decided that I was going to make group fitness a priority at that point.

**Club Insider-** So, your room is 2500 square-feet now. How many people can you accommodate safely for Body Pump in that room now?

**Bonica-** 55 people. And, we fill it all the time. We have 13 classes per week just for Body Pump! In the month of June we had 4,487 group fitness visits and almost 1400 were for Body Pump.

**Q.** What Body Training Systems classes do you offer now?

**A.** We offer all five classes: BodyPUMP, BodyATTACK (cardio-kickboxing), BodySTEP, BodyFLOW (which is the yoga-based program) and RPM (which is the cycling class.) So, I added a second cycling studio. I took my old studio and made a much larger day-care center out of it and took the old day care center and made it a cycling studio just for the BTS RPM classes.

**Q.** How had the BTS program impacted your club's financial performance in terms of new members, referrals and retention.

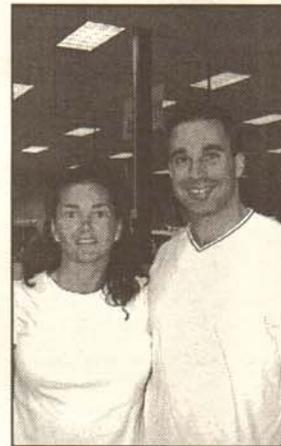
**A.** These are the numbers as of yesterday. I am projecting to do approximately \$1.7 million in revenue with a \$400,000 EBITDA.

**Q.** What you say that number was 4 years ago?

**A.** I would say \$150,000 EBITDA. When we opened this facility four years ago we had 2,000 members. We now have over 4,000. I've netted 500 members just from January until June. I love it!

**Q.** How has the Body Training Systems improved your competitiveness in your market?

**A.** We have a huge multi-purpose facility and they used to dominate group fitness in our



Cathleen & John Bonica

market until we installed Body Training Systems classes. They still have a good program, but we have taken control of group fitness in the market. We also compete with a small club that is very well run, a couple of muscle head gyms and a local college. Our BTS group fitness is giving us the truly best opportunity as club owners to really differentiate our business from other health clubs. Everyone has treadmills, everyone has weight training equipment. But, to provide members with a special experience like you get in a BodyPUMP class or a BodyATTACK class is not repeatable with equipment. It really has elevated my position in the marketplace. We are providing Exertainment, as Rich Boggs likes to say. My club is about 40 miles west of Boston and 20 miles north of Worcester. I have about 100,000 people in my immediate market, but I've been able to pull from a much larger radius. I have people that drive great distances to take classes here.

**Q.** John, who is your Group Fitness Director now?

**A.** I am serving as the Director right now. Our Group Fitness Director has taken a temporary leave of absence and I've stepped it.

**Club Insider-** Well John, it sounds like you are mighty happy with your Body Training Systems programs.

**John Bonica-** My whole club lives and breathes group fitness now. Norm, what it does is it creates a "buzz" that is always happening. Next week we are  
 (See John Bonica Page 26)

# “Spa Insider”

## Marketing

By: Jennifer Lynn

The spa business is not very different than the club business when it comes to marketing, brand identification and driving consumer interest. The difference lies in the product actually delivered. Therefore, a unique identity and a creative sales effort are important as you position the spa to your members, day guests and the community. Club Spas have the incentive to capitalize on the existing reputation of the club.

Underestimating the potential for a strong introductory marketing campaign can lead to a slow start out of the gates. Even spas located in highly trafficked areas need to recognize the necessity of creating a brand image and marketing plan for their business. As the conceptualization for the spa begins to develop, the name, and logo are a natural place to start. Many parent companies choose to include the name within the identity. This can add value and recognition to each business brand. Each business identity can help to bring credibility to the other. It also leads to cross-marketing

opportunities in the future. However, depending on the spa's association to the club, an independent brand may be more effective.

The key to a successful marketing effort is to focus on specific target markets, the spa's most important products and services, and the sales and marketing activities deemed to be the most productive. A carefully planned marketing program will ensure that predetermined actions steps are followed within budget and on time, which will contribute to increased market share and greater revenues.

There are marketing options that require a large cash flow and some that can be less expensive. Creative marketing practices that enhance your position in the community and generate an awareness of your product will directly feed the bottom line. The range of opportunities within the local community is endless. Here are a few interesting ways to market the spa and produce a higher level of awareness within your marketplace.

**1. Work with editors, community leaders and local celebrities to effectively pen-**

**trate the spa's target markets.** Offering complimentary treatments for editors, news anchors and radio personalities is an effective and inexpensive means of generating conversations, and press about your spa, the staff and the services offered. Participating in charitable and human interest events displays a commitment to the community.

**2. Develop a strategy for holidays (Christmas, Mother's Day, and Valentine's Day).** Gift certificates are a large part of sales on holidays. Anticipate the additional volume on the phones and through the reception area. Increased staff will ensure the sales trans-action is smooth and effortless on the part of the purchaser. This will encourage repeat business on holidays.

**3. Create a clever promotional calendar.** An annual business plan should include promotional marketing ideas that account for the seasonality of the spa business. Utilize spa staff to maximize internal and external promotions. On-going training is critical for front desk and scheduling staff to understand and explain spa services, benefits and special offers.

**4. Track spa clientele information.** Birthdays and Anniversaries are gift buying times. Recognition of birthdays is a special way to display client appreciation.

**5. Take the spa on the road.** Spa services can be taken outside the bricks and mortars of the facility. Local events with broad community outreach are a unique way to provide spa services and create exposure for the spa. Golf tournaments, social clubs and auxiliary groups are ideal locales to reach your target clientele.

**6. Develop Strategic Alliances.** Mutual referral programs with reputable doctors, dermatologists, physical therapists are natural means for creating alliances with other businesses. Statistics have shown that spa goes also participate in alternative health care programs. Acupuncturists, herbologists, and holistic health practitioners can be additional and mutually beneficial alliances.

Marketing efforts should be planned and anticipated to effectively handle any fluctuations in business volumes. Capitalizing on exposure during certain times of the year will



Jennifer Lynn

have lasting effects. Once the brand identity has been developed, it is critical to ensure the quality of the product is consistent and marketing is constant. As a general rule, marketing should not be left to a last minute rush to fill the books, it is helpful to plan and have on-going exposure.

*(Jennifer Lynn is an associate with Natural Spa Consulting, Inc. She may be reached at: (478) 404-2231*

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# IHRSA's Capitol Report

## Capitol Report Reprinted Courtesy of IHRSA

### CONGRESS COULD CONSIDER SEVERAL FITNESS BILLS

It seems fitness is becoming a priority on Capitol Hill.

Senator William Frist (R-TN) plans to introduce the "Improved Nutrition and Physical Activity Act" (IMPACT) this week. As a result of several meetings between Frist and IHRSA's Washington representatives, the bill includes the provision of grants to state and local governments that establish tax incentives and form partnerships with businesses aimed at improving their employees' physical fitness.

Passage of this measure would significantly help our industry's efforts to enact tax credit legislation in key states including Michigan, Ohio, and New Jersey.

IHRSA Executive Director John McCarthy sees the introduction of this legislation into Congress as an important step towards the goal of increased physical activity by all Americans. "We are pleased that a U.S. Senator has recognized the importance of providing tax incentives to promote physical activity, and we are hopeful that this proposal will serve as an important precedent for similar initiatives at the federal level," he said.

On the other side of the Capitol, in the House of Representatives, Congresswoman Karen McCarthy (D-MO), a staunch advocate of physical fitness, has drafted two draft pieces of legislation that she is considering introducing into Congress the coming weeks. Both measures are of significant interest to our industry.

The first is a non-binding resolution that would urge insurance companies to offer reduced premiums to individuals who engage in a healthy lifestyle, including through regular exercise.

Of even greater interest, Rep. McCarthy has drafted a bill entitled the "Fitness Incentive Tax Credit Act," which would offer a federal tax credit

of \$500 for individuals (or \$1,000 for couples filing jointly) to offset "healthy living expenses." The bill defines these expenses as "health club memberships, certified personal trainers and fitness equipment."

Rep. McCarthy's staff points out that this measure would save the government money over the long-term, given the much higher annual health care costs for obese individuals.

Helen Durkin, IHRSA's Director of Public Policy, is pleased with this development but knows there is a long road ahead. "Given the state of the economy and Congress's focus on the war on terrorism, these bills will probably not move swiftly once introduced," she said. "However, it is very encouraging that Congress is beginning to recognize the economic and other benefits of physical activity."

IHRSA representatives will soon meet again with Rep. McCarthy to discuss her tax credit proposal in more detail, as well as to urge her to sponsor IHRSA's Healthy Workforce Incentive Provision.

### NEW YORK CLUB SETTLES "PRE-SALE" DISPUTE WITH A.G.

New York Attorney General Eliot Spitzer announced this week that his office reached a settlement with a health club that "pre-sold" memberships to about 300 consumers since late 2000 but will not open until September.

Under terms of the settlement, consumers who bought memberships at the Dolphin Fitness Club in Sleepy Hollow have two choices. They can have an immediate refund of their membership fees - which ranged from \$279 to \$329 - or they can have their prepaid 12-month membership fee extended for three months at no additional charge. If all eligible consumers elected to get refunds, Dolphin Fitness will pay more than \$90,000. The club will also pay \$20,000 to the state in civil penalties and costs.

Spitzer said Dolphin Fitness violated State law by not placing customer funds in an escrow account. It also violated the State law, which permits consumers to void contracts for services at planned health clubs if those services are not available within one year after the contract date. Spitzer said the club refunded none of that money despite repeated re-requests by individuals who bought the memberships.

The Attorney General also said that at least 33 consumers who were denied refunds brought action against Dolphin Fitness in Small Claims Court. They obtained judgments against the club but they still did not receive their refunds.

Many states' laws dictate what is to be done with pre-sale funds. Contact [gr@ihrsa.org](mailto:gr@ihrsa.org) for a free copy of your state's health club statute.

### IHRSA FUNDS STATE INITIATIVES

IHRSA has approved requests for financial assistance for initiatives led by members in two states.

Steve Duckworth, owner of The Fitness Factory in Seven Fields, Pennsylvania, is suing the Butler County Family YMCA under the state's Institutions of Purely Public Charity Act. That law prohibits charities from using their Tax status to compete unfairly with small businesses.

Duckworth is seeking an injunction to prohibit the Butler Y from undertaking a proposed expansion. "As only the second small business in Pennsylvania to take advantage of the Act, The Fitness Factory is looking to play a key role in shaping the parameters of the rights and obligations that flow from this new and novel legislation at the state level," he said.

IHRSA has also approved a request to fund Washington clubs' battle to repeal the sales tax on health club memberships.

Scott Gilreath, Regional

General Manager for Seattle Athletic Club, and other members of The Washington Health and Fitness Club Association (WHFCA), are confident about their chances in the coming year.

"Despite the financial woes of the State, our issue has surprisingly strong, bi-partisan support," said Gilreath. "We have the assurance of the House majority leader that our bill will pass in January 2003. Due to a technicality, our bill will be able to be approved this year with a simple majority, instead of the usual two-thirds vote."

### POP QUIZ: WHICH LOCKER ROOM SHOULD TRANSGENDERED PEOPLE USE?

Earlier this year, a federal appeals court dismissed the sexual harassment and religious discrimination claims of a female teacher in Minnesota who was forced to share a bathroom with a male employee who was "transgendered." [A transgendered person is one who identifies with and adopts the gender identity of the opposite sex.]

In a related case, the ability of Hawaii's employers to impose employee dress codes could rest on a ruling by the Hawaii Civil Rights Commission expected to be handed down soon. That case involves five male employees who were fired allegedly for dressing and behaving in the workplace as if they were women. At issue is whether transgender and transsexual people are protected under the State's anti-discrimination laws. Regardless of how the commission rules, the issue is likely to go to court.

In the past few years, anti-discrimination laws protecting "transgendered" individuals have been passed across the nation.

Rhode Island and Minnesota have extended civil rights to the classification of gender identity, as well as several counties and 38 cities, including Seattle, Philadelphia, New York, Denver and Dallas. A similar measure is being

considered in Boston.

Some believe that these regulations go too far. If passed, the Boston measure would allow the unfettered use of restrooms, baths, showers, dressing rooms or other private accommodations by someone based on what gender the person expresses or asserts. For instance, a person born as a man but living as a woman could use women's facilities under legal protection.

Due to the unique nature of health clubs, where nudity [in locker rooms] is common, this issue comes up frequently in our industry. For a free copy of IHRSA's fact sheet entitled "Accommodating Transsexual People in Health Clubs," e-mail [gr@ihrsa.org](mailto:gr@ihrsa.org)

### IRS ISSUES CAUTIOUS LETTER ON OBESITY-RELATED HEALTH CLUB EXPENSES

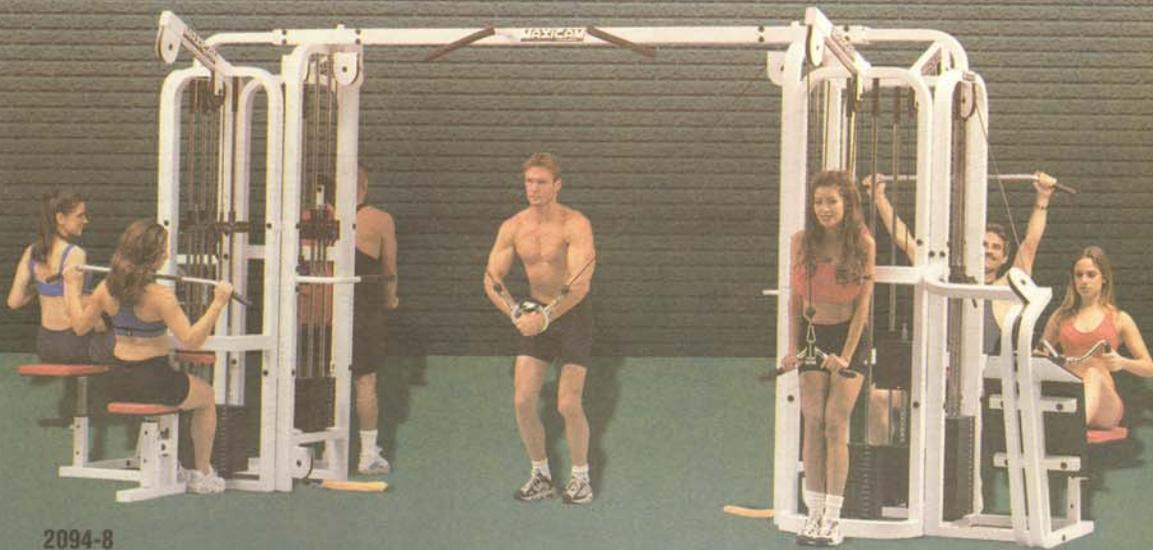
In an opinion letter ruling released on June 28, the IRS affirmed that health club membership fees incurred for the prevention or alleviation of obesity may be tax-deductible as a medical expense.

"Since, the IRS now recognizes obesity as a disease," wrote Paul Ritenour of the IRS's Income Tax and Accounting Division, "health club membership fees which have been incurred primarily for the purpose of preventing or alleviating obesity may be deductible as a medical expense under Section 213." [Ritenour was referencing an April IRS ruling, which stated that uncompensated amounts an individual pays to participate in a "weight-loss program" as treatment for a specific disease diagnosed by a physician, including obesity, are deductible as medical expenses.]

IHRSA Executive Director John McCarthy is optimistic. "This is a sign that our nation is, from a legal perspective, getting closer to broadening the definition of medical care to include some activities that take place in health clubs," he said.

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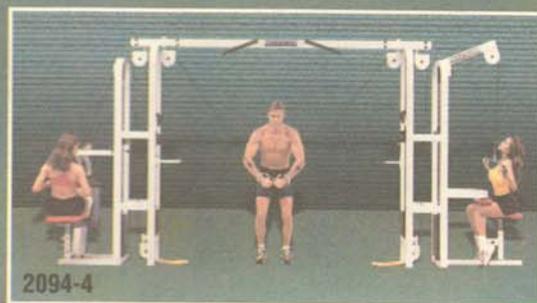
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**...John Bonica**

continued from page 21

launching all the new releases. Every quarter Rich and Body Training Systems release all brand new music for all the programs. It provides a very productive and unique marketing opportunity. We send out guests passes, we advertise the new launches. Most of my marketing evolves around our group fitness programs. One month I'll market BodyPUMP specifically. Another month I will market BodyFLOW. I am getting ready to expand the club and build the second 4,000 square-foot group fitness studio.

**Club Insider-** WOW John, that is great! You're going to pour it on! I hope you'll be able to build another parking lot John! You're gonna need that!  
**John Bonica-** Absolutely! My landlord said he would extend our parking lot. I actually am going to add 13,000 more square-feet. 5,000 square-foot

of that expansion will actually include two new studios, the 4,000 s.f. studio and a 1,000 s.f. for another cycling studio.

**Q.** John, grab your calculator and calculate your per square foot revenue for me.

**A.** Well, we have 22,000 square-feet and revenues for this year will be around \$1.7 million. That works out to \$72 per square foot.

**Q.** John, let's go back four years ago, before Body Training Systems. What was your annual revenue?

**A.** It was less than half of \$1.7 million!

**Club Insider-** My god. Is that right?

**Q.** John, if you were to contemplate your club's success and revenue growth from less than one half of \$1.7 million, up to your projected \$1.7 million and then assign a value of 1 thru 10 to the arrival of Body

Training Systems as being responsible for that success, what would that value from 1 to 10 be?

**A.** I'd have to say it would be at least an 8 or more likely a 9. I don't want to sound like a mindless drone. But, group fitness has become huge for us. What they've done with the systems are incredible. What they do is they systemize group fitness. Their systems are so effective I've taken a lot of the same elements and I've used them very successfully in other departments in my club.

**Club Insider-** Isn't that great! John, you've done something there that I've not heard others say they have done yet. But, what I hear you saying is that you've gotten a bonus from your investment in Body Training Systems because you've used those same systems to improve and enhance other areas of your club operations. Smart man you are John! I think that is terrific!

**John Bonica-** (Laughing) You don't have to tell Rich Boggs that because he might raise my license fee!

**Club Insider-** John, I don't think you have to worry about

had become two of the top club owner/operators in America with their Sportslife Clubs here in Atlanta before they sold their interests in Sportslife to focus on the Step Company back in 1992. In short, they are two of the best minds to ever have been in the health club industry and we're darn lucky as an industry to have Rich Boggs and Ray Irwin plugging away at Body Training Systems like they are doing. You go ahead and improve your club anyway you can with Body Training Systems highly developed systems and I am sure Rich will be happy that you can do that.

**Q.** John, let me ask you now, if you could close your comments in this interview by giving some advice to the club owners that have not yet opened their eyes and have not yet really listened to the very, very important Body Training Systems message, what advice would that be? You're a ten year health club owner veteran. What can you say to them to get them to take the time to make the call, get the information, at least?

**A.** I think that when all is said and done, we all love fitness. But, from an ownership stand-

ness, you need to take a very close look at your group fitness. Body Training Systems is the only way to truly establish yourself strongly in the marketplace. I don't know if I said that eloquently enough, but that is how I feel.

**Club Insider -** John, that is fine. That actually is terrific. Your story is terrific. A few months back Rich had told me how powerful your story was and I can relate now because you've gone from what was probably 30 bucks a foot to 72 bucks a foot. If people can't hear this message, I don't know what the hell we can do for them.

**John Bonica-** I don't know either. Rich Boggs uses my name as a referral. I tell them these numbers, but then I think that maybe they don't believe me. But, I'm willing to show them my financial statements if they would like to see them.

**Club Insider-** It's great that you are willing to share your success with our readers. I think that our readers really can greatly benefit from becoming involved with Body Training Systems and your willingness to share your confidential finan-

cial numbers is really important to that goal. Thanks.

point, we want to make money. So, if you want to become a millionaire in the fitness busi-

ness, you need to take a very close look at your group fitness.

Norm Cates' **THE Club Insider** NEWS

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that. Just so that you know why that is happening with you is that Rich Boggs and Ray Irwin

**Hoggan Health Industries Celebrates Its 25th Anniversary**

**Draper, Utah --**For more than two decades, one Utah company and its family owners have helped set the standards by which health fitness equipment is judged. Although the company's roots date back to 1961 when Dean Hoggan began to develop his expertise in machining and engineering in his machine shop. It wasn't until 1977, when Dean and his son, Lynn, purchased a small fitness equipment company and renamed it Hoggan Health Industries. The company's first years were spent working with fitness experts and physiologists to design the original CamStar and Sprint products. Since then, the company has continually refined, developed and introduced new fitness products and cardiovascular equipment.

Hoggan's CamStar and Sprint Circuit training equip-

ment lines are found in hundreds of health clubs around the world and the company has formed alliances with such well known organizations as Mizuno Corporation, USOC, 24 Hour Fitness, Bally's and Gold's Gyms, among others.

As the company celebrates its official 25th anniversary, it is also actively involved in the launch of the MicroFet3, the latest addition to a line of products designed to test muscular skeletal force and range of motion (FET is an acronym for Force Evaluation and Testing). The device which is slightly larger than a cell phone and weighs less than one pound, can help health professionals measure and test muscular skeletal force and range of motion with 99 percent accuracy.

In addition, the MicroFet3 can be used by human

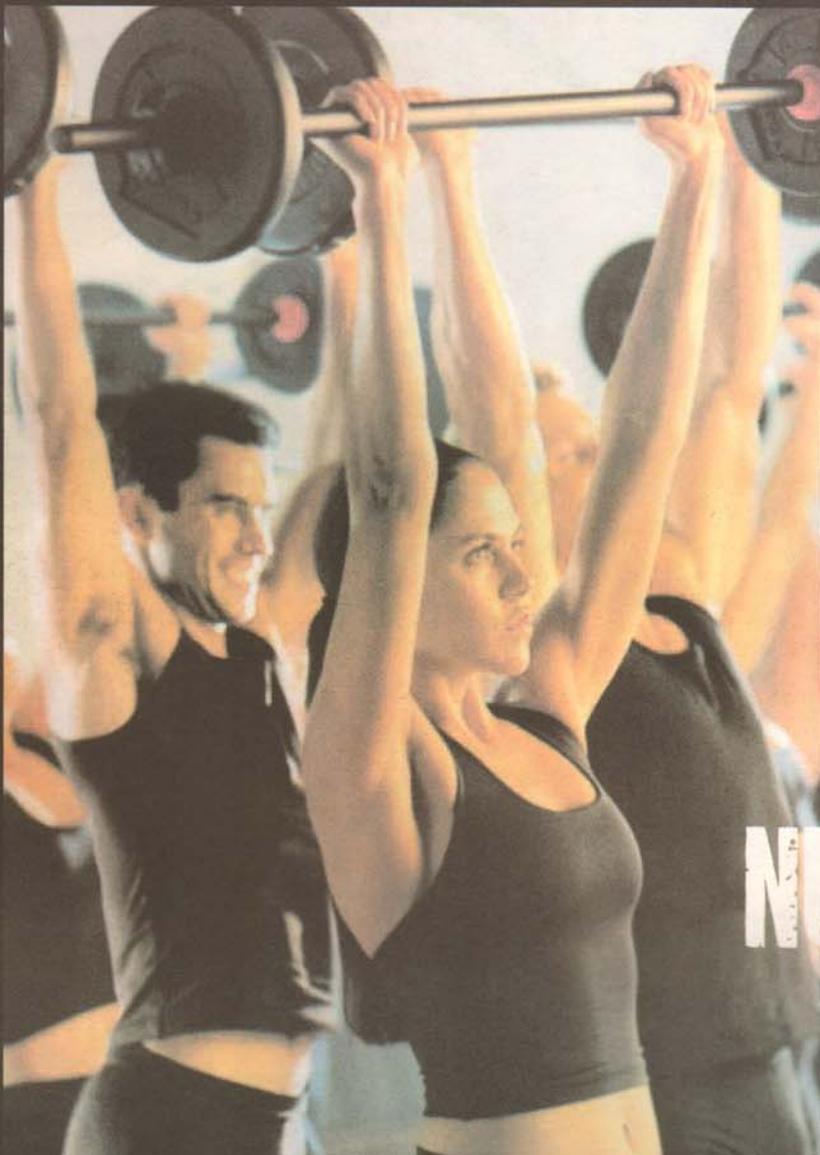
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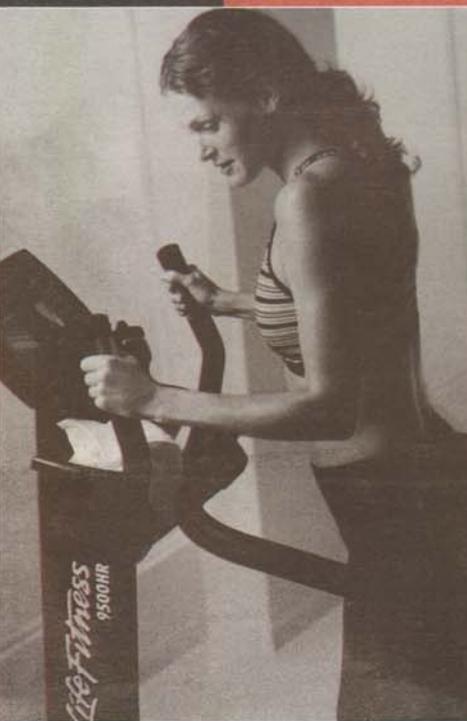
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