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Norm Cates

THE Club Insider

NEWS

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VOLUME 8 NUMBER 9

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



GOD BLESS AMERICA!

Norm Cates'

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Front row: Laura Rexhouse, Jennifer Florin, Jodi Hickey, Noel Whiteley

Back row: Julie Pizzarelli, Jason Clerke, Sandy Arteaga, Mike Arteaga, Janet Chianese, Kerri Palermo and Mark Anderson.

Not pictured: Nancy Levine & Jan Zetterburg

MIKE ARTEAGA

Playing On And Coaching An All Star Team!

THE Club Insider [©]

NEWS

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

MIKE ARTEAGA - Playing On and Coaching An All Star Team!

By Norm Cates, Jr.

Mike Arteaga and his

All Star Management Team have reached a high level of club business success with the implementation of a principle called 'Open Book Management' in his All

Sport Health and Fitness Club in Poughkeepsie, New York. The story of how Arteaga and his team have reached this lofty business status is very inspiring and

exciting. Arteaga's 'Success Story' has really become the 'Story' of his management team, and Mike gives full and well-deserved credit to his team for what they do.

Growing up in Long Island, New York, Mike Arteaga graduated from Marist College in Poughkeepsie, N.Y. When he ar-
(See *Arteaga* page 8)

Gold's Gyms' Galiani Brothers Change Roles

By Norm Cates, Jr.

On Friday, August 31, 2001, Kirk and John Galiani, the two Gold's Gym owners from the Washington, D.C. area who had successfully orchestrated the takeover of the Gold's Gyms parent company two years ago, announced that they were stepping down from their respective roles. Kirk was CEO and President of Gold's Gyms International and his

brother John was President of Corporate Development.

Stepping immediately into the role as CEO of Gold's Gyms International was Gene Lamott, formerly an owner of 6 Gold's Gyms in the Northwest. A few years back, Lamott had sold his chain to 24 Hour Fitness and had joined 24 Hour Fitness on a corporate level.

The Galiani brothers are two very well liked guys who decided they wanted change in their lifestyles. So, they have decided

to step out of the roles to take less time consuming roles in the company.

On August 24, 1999, Kirk and John Galiani sold their ownership position in 8 Gold's Gyms in the Washington, D.C. area to Brockway, Moran and Partners, a Boca Raton, Florida-based investment banking firm. In the transaction, the Galianis received an equity position in Gold's Gyms International in excess of 20% plus cash. Kirk Galiani confirmed that the trans-

action was in excess of \$30 million and that a significant amount of cash equity had been part of the deal.

While Kirk and John Galiani are in a transition period right now, they will still remain active in acquisitions for GGI and will be assisting in the development of new Gold's Gyms as well.

We contacted Kirk Galiani for his comments and he provided the following written statement about the situation and the state of Gold's Gym International for our publication:

Kirk Galiani On Gold's Gyms International

"The timing seems to be right with the company being much more profitable than ever before and with the foundation of the company being in place for Gold's Gym to continue to grow for years to come. Gold's Gym International (GGI) has more franchises than ever before. And, at the same time, we have increased the
(See *Gold's Gym* page 6)

ClubCom and Cardio Theater Merge

PITTSBURGH & ATLANTA (August 24, 2001) - On August 17, 2001, ClubCom and Cardio Theater successfully completed a merger of the two companies resulting in Cardio

Theater becoming a wholly owned subsidiary corporation of ClubCom. The Cardio Theater shareholders, most notably Tony de Leede, have become shareholders of the ClubCom parent corporation. The transaction,

estimated to be valued at \$10 million, results in the integration of the fitness industry's leading entertainment hardware manufacturer with the nation's leading broadcasting company
(See *Cardio Theater* page 4)



Tony de Leede (left) & Tom Lapcevic

StairMaster Files For Chapter 11 Bankruptcy

By Norm Cates, Jr.

Nearly four years ago at an 8 a.m. Press Conference at

the Club Industry Show in Chicago, a gentleman named John Rutledge was introduced to the people in the room. Rutledge was the new Chairman of StairMaster and as the head of The Rutledge

Fund, the financial firm that had acquired StairMaster, he was speaking to the crowd about the recent acquisition from Gardenway, a company that

builds and sells lawn equipment. Gardenway had proved, once again, that sometimes it is a good idea for companies that don't know anything about the fitness business to stay out

of it. At that time, StairMaster was in trouble after only a couple years of ownership by Gardenway. Gardenway had purchased
(See *StairMaster* page 4)

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- Sales Down? Don't Hire An Expert Fix It Yourself!
- Healthy Inspirations Arrives In Brazil
- National Fitness Trade Show Features Aphelion University And Other Events
- Can the Industry Hit 100 Million Members? No, Says Thomas Plummer!

Direct Focus Acquires Schwinn In Bankruptcy Court Announces Bid to Acquire Fitness Division of Schwinn for Approximately \$65 Million

VANCOUVER, Wash.—Direct Focus, Inc., a marketing company for fitness and healthy lifestyle products

with a direct business model, announced on September 13th that it was the successful bidder to acquire substantially all of the assets of Schwinn/GT's fitness equipment

division ("Schwinn Fitness") through a bankruptcy auction, pending a final Court Order by the U.S. Bankruptcy Court for
(See *Direct Focus* page 4)

...Direct Focus

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the District of Colorado. The Direct Focus bid was linked to a successful bid submitted by Pacific Cycle LLC for the purchase of substantially all of the assets of Schwinn/GT's bicycle division. Under the terms of the bid, Direct Focus anticipates it will pay approximately \$65 million in cash for Schwinn Fitness, which will be accounted for under the purchase accounting method.

Cardio Theater

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for place-based communities. The merger also consolidates within one organization the E-Zone installation base that was purchased by ClubCom and Cardio Theater earlier this year.

"It's a perfect match. The integration of ClubCom, Cardio Theater and E-Zone provides a fully compatible entertainment, club promotions and advertising solution." Mark Smith, CEO of Town Sports International, a key network partner of ClubCom.

"The merger represents a synergistic convergence of hardware and content," states Thomas G. Lapcevic, the Chairman and CEO of ClubCom. "The result is a standardized entertainment platform for the fitness industry that systematically integrates the powerful attributes of ClubCom programming with Cardio Theater and E-Zone hardware technologies. This compatibility significantly enhances the media and advertising opportuni-

The Company expects the transaction to close on or before September 21, 2001, subject to the final Court Order and expiration of the Hart-Scott-Rodino waiting period. Schwinn Fitness had annual revenue in 2000 in excess of \$100 million and strong positive operating cash flows. Direct Focus expects this acquisition to be accretive to revenue and earnings in 2002 and beyond. "We are very pleased with the success of our bid," said Brian Cook, CEO of Direct Focus. "Our management team is

very familiar with Schwinn Fitness. Kevin Lamar, who joined us as our President in June, was instrumental in growing the Schwinn Fitness business from \$20 million in annual sales to over \$100 million in annual sales from 1989 to 2000." "Like our purchase of the assets of Nautilus International, Inc. in January 1999 and the subsequent turnaround and growth of those operations, expansion through acquisitions is an important part of our strategy. At the end of the second quarter, we

ties we can offer to our health club partners."

ClubCom is a leading provider of private television networks for place-based communities with an emphasis on commercial health clubs. It provides network services for many of the nation's leading health club organizations with a current installation base in excess of 600 facilities. ClubCom currently has a major media presence in several of the nation's top designated market areas and expects to have concentrated coverage in each of the nation's top ten markets by the middle of 2002. It is financially backed by some of the world's leading institutional funds including Draper Triangle, an affiliate of Draper Fisher Jurvetson, and Residex B.V. Venture Capital Network, part of the Achmea Group of the Netherlands.

Cardio Theater is the fitness industry's leading manufacturer of interactive entertainment systems with more than 6,000 health club installations. It pioneered the development of

the industry's entertainment sector in 1989 and continues to set technological standards for the health club industry. Cardio Theater offers a complete spectrum of entertainment hardware solutions including wireless interactive audio systems and E-Zone personal viewing screens. In each case, proprietary technologies are being developed and incorporated to enhance the viewer documentation and interaction for ClubCom programming and maximum revenue generation for health clubs.

"It's really quite simple. ClubCom is rapidly changing the future of an important sector of our industry and we wanted to be a participant, not merely a spectator," states Tony de Leede, President of Cardio Theater and CEO of Fitness First Australia, and who is now a significant shareholder of ClubCom. "From a health club operator's perspective, ClubCom's value proposition is exceptional. Our due diligence revealed that the ClubCom financial model, for itself and its

health club partners, is nothing short of remarkable. We have been afforded the enormous advantage of seeing where ClubCom is going in the future. We are developing our products accordingly."

"The merger results in tremendous synergies," claims Michael Stubler of Draper Triangle. "From ClubCom's perspective, it has secured a highly respected and very profitable hardware partner. From Cardio Theater's perspective, it has secured a broadcasting partner with proven revenue models and an absolutely stunning network delivery system. It's definitely a win-win for each party."

"It's another great move by ClubCom. It offers facilities tremendous efficiencies while installing their ClubCom networks," says Kirk Galiani, of Gold's Gym International.

Others said, "The future direction of ClubCom and Cardio Theater is right on track. They're quickly creating opportunities that in the past were only conceptual," adds Kevin D. Steele, Ph.D Vice President of

Health Services and Corporate Accounts for 24 Hour Fitness.

"It makes selecting entertainment hardware much easier knowing it's fully compatible with ClubCom's broadcasting and business programs. You're not installing outdated technologies," Will Dabish, CEO of PowerHouse Gyms International.

"It's good for the industry. Now one source can provide entertainment hardware and launch your television network." Geoff Dyer, CEO of Lifestyle Family Fitness.

"It's a natural combination. It makes our entertainment solution simple." David Patchell-Evans, CEO of Good Life Fitness.

"Many facilities are like ours. We already have Cardio Theater and E-Zone and we're about to launch our private media network through ClubCom. It will be great working with just one company." Joe Cirulli, Gainesville Health & Fitness Center.

reported \$94.7 million in cash and short-term investments. We believe this acquisition is an excellent use of our financial and management resources, and offers significant growth opportunities." "We believe Schwinn Fitness' strong brand and quality fitness products will be an excellent fit with our growing portfolio of fitness and healthy lifestyle products," said Kevin Lamar, President of Direct Focus. "Schwinn Fitness offers a popular line of cardio-equipment, which includes treadmills, stationary bikes and

steppers sold under the Schwinn and Trimline brands. These products will complement our Nautilus line of strength-building products, and we expect to gain powerful distribution synergies through the combined product lines and sales effort." Due to the recent national tragedy and the timing of this transaction, Direct Focus is not scheduling an immediate conference call. A special conference call to discuss the acquisition in more detail will be on September 18, 2001. STAY TUNED.

...StairMaster

continued from page 3

StairMaster a few years before from its Founder, Nicholas Orlando. Under industry icon, Nick Orlando's leadership and guidance,

StairMaster had become one of the most powerful brand names and greatest selling products in the health, racquet and sportsclub industry worldwide. But, almost immediately after the Gardenway acquisition, StairMaster began to lose its marketshare and lose it fast.

It turns out that Nick Orlando was a wise man, because he had sold StairMaster at the perfect time. Right before the major, industry changing onslaught of elliptical machines. So, not only did Gardenway suffer from this situation, it now appears that the Rutledge Fund has too. No one, I think, really understood how popular elliptical machines would be and the impact they would have on sales of step machines. Now they do.

So, when John Rutledge, the Chairman of the Connecticut-based Rutledge Fund stood in front of us that morning and boasted, "StairMaster is not a \$60 million company. It is a \$200 million company and I am here to tell you all, we are going to spend whatever is necessary to bring it to the \$200 million level," I was quite sure I was watching another

health and fitness novice that had entered our business with very little knowledge. Rutledge left me, and I think others, wondering how long it would last. Well, it hasn't lasted long. On August 30, 2001, Rutledge announced that StairMaster was filing for Chapter 11 Bankruptcy. He was quoted as saying, "The company had decided to file for Chapter 11 protection because it was the only feasible way to reduce its debt."

It has also been learned that Rutledge is negotiating the sale of StairMaster with a 'well-respected company' and plans to announce the sale soon. It is my guess that company is Direct Focus, Inc. (DFXI), the owners of Nautilus, acquired out of Bankruptcy and Schwinn's Fitness Division out of Bankruptcy just a few days ago for \$65 million, as well. That will give Brian Cook, Director Focus Founder and

Kevin Lamar, President, a trio of formerly Bankrupt companies to work with, Nautilus, Schwinn and Stairmaster. However, a crusty old industry veteran suggested to me that Direct Focus too might be entering unknown territory if they do acquire StairMaster.

And, the beat goes on. STAY TUNED.

(Norm Cates, Jr. is the Publisher and Editor of *The CLUB INSIDER* News and a 27-year veteran of the health, racquet and sportsclub industry. Cates was the 1st President of and a Co-founder of IHRSA in 1981. In March, 2001, Cates was honored by IHRSA with its DALE DIBBLE DISTINGUISHED Service Award and in June he was honored with the International Journalist of the Year Award given by the Italian Fitness Federation.)

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• NORM'S NOTES •

•GOD BLESS OUR FALLEN COUNTRYMEN and WOMEN and ALL THE OTHERS MURDERED in New York, Washington, D.C. and in PA.. And, **GOD BLESS AMERICA!** If you pinch yourself and don't wake up, then yes, this is not a dream. As I sit here writing these NOTES to you, I think of the history of our beautiful America. Our great United States of America mainland has never been attacked. Until now. I hope and pray that by the time you read this, this situation will not have advanced further. But, make no mistake about it. We are at WAR and the primary questions at this moment are: (1) Who are the enemies?, (2) where and when will the next attacks take place? and (3) not IF, but WHEN and WHERE the killers will be punished for these murders? And, pay they will. My guess is that our world will never be the same again. We are going to be forced to slow down and change how and what we do. Maybe that is not all bad. **MIKE ARTEAGA** and his **ALL STAR TEAM** were scheduled to be on our Cover this month, until the WAR BEGAN. Today, September 14, 2001, our final deadline day, I sent an email to Mike in Brazil, (where he was attending an IHRSA Board Meeting,) telling him I wanted to move his Cover Photos to page #2 and place our **AMERICAN FLAG** on our cover! I told Mike I wanted his blessing on this decision and that his Cover Photos would appear on our page #2. Mike responded to my request for his blessing just like the Champion he is, and this is what he emailed to me from Brazil: Norm, The country comes before our story! Save us for a future issue, if you like. Whatever works! My thanks, Mike. We are pressing on and your Team's terrific story entitled: "MIKE ARTEAGA - Playing On and Coaching An All Star Team" is here in full in an edition of **THE CLUB INSIDER NEWS** that will definitely become a club business **COLLECTOR'S ITEM**. These loonies will not stop me from doing my job. No matter what. And, I think I speak for **ALL AMERICANS** when I say these words.

•STEVE SMITH'S FITNESS COMPANY was unfortunately once again at the point of attack at the World Trade Center. Their club, damaged by smoke during the bombing 8 years ago, was destroyed. **BONNIE PATRICK MATILIAN** of the FTC will be serving as the Disaster Coordinator for the Fitness Company in these tragic times. I've been in touch with Bonnie and STEVE during the first five days of this

War. Steve had just a brief comment to me which I quote: "Norm, Please feel free to report that everyone from TFC is safe. But, there is so much loss that there is little to feel good about." There were 5 or 6 other IHRSA clubs in close proximity to the bombed World Trade Center towers, including the brand new Merrill Lynch Fitness Center operated by **MIKE MOTTA**, who appeared on last month's Cover feature story. So, we wish everyone the best of luck as they search for their loved ones and friends.

•CHARLIE LINDSEY, CEO and President and **TIM GOODWIN**, Vice President, are the leaders of **American Club Systems**, a health club company based in Columbus, Georgia. For years they have been movers and shakers in the club business, starting first with a focus on club management services and a few years ago, moving heavily into club ownership. ACS now owns 12 facilities and manages 32 nationwide. They took a dive into a major acquisition program a few years ago and obtained a whopping finance package of \$12 million to aid their acquisition efforts. Unfortunately, when the financial markets tumbled out in April, 2000, ACS was in mid-negotiations with a number of club owners and all of those opportunities, in a financial market that was beyond their control, did not come to fruition. Since then, and due to their plan being disrupted by the financial market downturn, ACS has had a rough row to hoe and has had to modify its business plan as it prepares to move forward. Hearing rumors about ACS that I didn't want to hear, I decided to call Charlie and Tim to set up a meeting for lunch so I could get the "Inside" story on how things had been going and so that I could attempt to quell the rumors I had been hearing, if they were not true. At lunch, I asked specific questions of Charlie and Tim about the rumors I had heard. They told me that the rumors were not true and in fact, they had worked things out with their lenders and were moving on with their business. They gave me very strong assurances that things were in fact, O.K. and they were moving forward. After lunch at their offices, they let me in on a major project with a very substantial company in the healthcare business. If they land it, look out! It will be one of the most significant deals ever to happen in the club busi-

ness in North America. And, I bet they will be successful at putting it together. Charlie took me on a tour of two of his clubs right there in Columbus. The two clubs we visited, AC Fitness and a Cory Everson Fitness for Women Club, were both terrific clubs, with smiling and friendly staff, great signage and road visibility, lots of parking, SPOTLESSLY CLEAN facilities, terrific club color schemes and a fabulous line-up of cardio and strength equipment, not to mention terrific group exercise rooms. Not long after my visit, I checked in with my friend, **JOHN MCCARTHY**, Executive Director of IHRSA, to share the good news about ACS, and this is what John had to say, "I am delighted to hear the good news about ACS. In truth, I never doubted that they would pull through. They know the business as well as anybody, and their work ethic is second to none. Obviously, I continue to see a great future for them." I agree with John about the future for ACS if they keep up what they are doing with the excellent quality of their facilities and diligently pursue and fix the staffing issues that have caused them problems in management in the past. Best of luck to Charlie and Tim and their ACS Team as they move forward.

•GEOFFREY DYER, CEO and President of Tampa's **Lifestyle Family Fitness Centers** continues his massive growth program with expansion into the Orlando, Florida market. He is entering the Orlando market with a \$2 MILLION STATE-OF-THE-ART LIFESTYLE FAMILY FITNESS CENTER facility opening in January, 2002, in Winter Park, Florida. "This new 28,000 square foot facility will feature more than \$2 million in leasehold improvements, fixtures and equipment," states Company President Geoffrey Dyer. "We will feature more than \$1 million in exercise equipment, including the latest strength training equipment by leading manufacturers including Life Fitness, Body Master and Hammer Strength. Geoff Dyer is leading the industry with Lifestyle Family Fitness offering memberships on a month-to-month basis as evidenced by its "Commit to a Lifestyle, Not a Contract" slogan, says Dyer. "We earn the right to keep our members one month at a time. Customer service is everything."

•Don't miss the CLUB INDUSTRY CONFERENCE and TRADE SHOW in Chicago, November 14-17th and the **IHRSA/Athletic Business Conference and Trade Show** in Orlando, FL. December 5-8th. Check out our **Advertiser Exhibit #** list for the **CLUB INDUSTRY Trade Show** on page #4

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•CITY BEACH TO OPEN \$9 MILLION COMPREHENSIVE SPORTS, ENTERTAINMENT & TEAMBUILDING CENTER IN FREMONT, CA. THIS FALL. The \$9 million City Beach Fremont is a comprehensive sports, entertainment, dining and teambuilding center featuring the largest indoor rock climbing facility in Silicon Valley. City Beach Fremont is slated to open in November, 2001.

•The Life Fitness Academy Scientific and Medical Advisory Board (SMAB) has called for Letters of Intent for the **MICHAEL L. POLLOCK** research grants totaling \$20,000. The Grants will fund studies focusing on the effects of physical activity on a variety of health states. Researchers interested in applying for the grants must submit a two-page Letter of Intent to Life Fitness postmarked or e-mailed by Nov. 15, 2001. Letters of Intent should be sent to: Life Fitness Attn: Stephanie Vlach, 10601 W. Belmont Avenue Franklin Park, IL 60131 Fax: 847-288-3762, stephanie.vlach@life.fitness.com The SMAB is requesting Letters of Intent only at this time., not proposals; no review or feedback will be provided. Requests for

full proposals will be distributed in January 2002.

•Congratulations to WALLY and MESHELLE BOYKO as they just completed their **20th Anniversary National Fitness Trade Show** in Las Vegas. The event was held in conjunction with the **Ms. Fitness USA** and **Ms. Fitness World Contests** and **Apheion University and World Gym Western University**. (See article pg #24) Honored at the event were: **JOE GOLD** who received the **Lifetime Achievement Award** sponsored by Life Fitness and presented by **RON HEMELGARN** to **MIKE URETZ** who received it on **JOE GOLD'S** behalf. Also receiving the **Annual Distinguished Service Awards** presented by the National Fitness Trade Journal and Fitness Management were: **GREG DOXAKIS, PATRICK ELLIS, JIM LANGHORN, JAY MEGNA** and **ROB ROMANO**. The Winner of the 2002 Ms. Fitness USA Contest presented by HealthSouth was **ANDRIA MONTGOMERY-KLEIN** and the Runner-ups were: **NATALIE MONTGOMERY-CARROLL, KAREN ELLIOTT, KIRSTEN ELLIOTT-WARNER** and **AUTUMN RAY**. The Winner of the 2002 Ms. Fitness World presented by HealthSouth was **ADRIA MONTGOMERY-KLEIN** and the Runner-ups were: **NATALIE MONTGOMERY-CARROLL, MARTYNA RAPP (Poland), KAREN ELLIOTT** and **KIRSTEN** (See Norm's Notes page 6)

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Norm's Notes

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ELLIOTT-WARNER. CONGRATULATIONS To all.

•The Texas Health, Racquet and Sportsclub Association (THRSA) Board elected **DARON ALLEN**, the GM of the Health and Fitness Connection in Fort Worth, TX., as its Chairman. Congratulations Daron!

•**LORI HORVATH**, the General Manager of the terrific **Signature Athletic Club** in Dallas, Texas, a Wellbridge property, has left the club to open a new Personal Training Center with her husband of many years, **JIM HORVATH**. Good luck Lori and Jim on your new venture!

•My apologies to **KEN REINIG**, CEO and President of the Association Insurance Group as last month when we published his ad as part of the **THOMAS PLUMMER COMPANY** article, there was a typo error on his 800 phone number. The correct phone

number for Ken's Association Insurance Group (see ad page #10) in Lakewood, Colorado is: (800) 985-2021. Sorry about that Ken!

•**PAUL TOBACK** has been promoted at **Bally Total Fitness** to new position of **Chief Operating Officer**. His goal will be to add 20 to 25 new clubs annually through acquisition or new openings. Toback had really dug into his earlier challenge at BTF of generating non-dues income from new businesses within the 385 Bally Total Fitness Centers. In the first-half of 2001, BTF saw its non-dues revenue increase by 38.5% while new membership units increased by only 1%. The power of cross-selling within the clubs was demonstrated when BTF sales for same stores increased by 9% during the first half of the year. **LEE HILLMAN**, Chairman and CEO of Bally Total Fitness, should be happy as has recently received two very nice endorsements from analysts at **Bank of**

America and CIBC World Markets. **CIBC's WILLIAM R. SCHMITT**, rated Bally a "strong buy" and set a 52-week target price of \$38. **GARY COOPER** of Bank of America Securities described Bally stock as "inexpensive" and set a 52-week target of \$33 per share. Bally stock has hovered around 25 for the past six months.

•**HARVEY 'We're Not Going To Albuquerque' SPIVAK** has announced that **Equinox** plans to have 14 clubs in place by the end of the year, including a club in Pasadena, California. Good luck with that growth Harvey!

•Good Luck to industry veteran, **COLIN MILNER**, as this month he launches the **International Council On Active Aging**, a new organization that will focus on "changing how we age." Check out the interview with

Colin in this issue on page # 18.

•**JIM ROSEBLOOM'S Club One** in Pittsburgh, PA. Has been open everyday but one since the club opened in 1973. The only day the club has ever been closed was when the Mayor asked all businesses to stay closed due to a snow storm. Rosebloom really has the member service idea down pat and say, "Even on Christmas, we're busy. A lot of people don't have families and some people need to get away from their families for an hour or two. In either case, this is a good place to be."

•**STAY TUNED. And, GOD BLESS AMERICA!**

The CLUB INSIDER News World View

•**Fitness First** is truly becoming a global club chain with the opening of four overseas

clubs in August in Hong Kong, Italy, the Netherlands and France. **MICHAEL BALFOURS**, the CEO of Fitness First, is turning out to be one heck of a club developer and operator!

•**ALAN FISHER**, the CEO of Homs Place in the U.K., has engaged in conversation with Bally's **LEE HILLMAN** about the possibility of entering a joint venture that would facilitate Holmes Place's entry into the U.S. market and Bally Total Fitness' access to European markets.

•**STEWART MILLER**, Managing Director of London-based **Whitbread Group PLC**, announced that the company plans to have 100 clubs in the UK serving 500,000 members by 2007. And, these are big facilities that operate under the banner of **DAVID LLOYD LEISURE**. Short-term, Whitbread projects eight new clubs by 2002.

...Gold's Gym

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criteria to become a Gold's Gym franchisee. We have changed from a Licensing format to a Franchising format that starts with our Gold's Gym University, NVP Program that combines the

purchasing of all of our franchises on all types of products from cleaning supplies, paper products, construction materials and fitness products. GGI has put together training manuals and CD Roms for all aspects of the business and GGI has even put together construction specification books for our Franchisees to use when they designing, planning and building their clubs.

Because of the increase in services, we have increased the fees. We still feel that we are one of the best values in the franchising industry. In product licensing we have completed 3 new large deals with Merika for women's athletic clothing, Knights apparel for men's athletic clothing and Icon for Gold's Gym home gym equipment. All three companies will

be selling Gold's Gym products in major department stores.

We have been able to more than double the number of company-owned stores, and we are negotiating to purchase many more at this time. My brother John put together strategic partnerships with EAS, American Body Building, Body Training Systems and the World Aerobic Championships, just to name a few.

John and I have spent the past 2 years putting the acquisition and the foundation of Gold's Gym International together. Now, we just want to spend time with our families and grow gyms in strategic areas for Gold's Gym International. We will remain on the Board and will continue to be the largest individual stock holders. We will help the company on special projects and help with the direction of the company, but we will not be involved in day-to-day operations.

Gene Lamott will do a good job with the operation of the company and with Derek Barton as VP of PR and Marketing, Ed Powderly as VP of Product Development and Licensing, Jeff Skeen as CIO, Ben Amado, Kent Lenhoff and Bruce Ebel in franchising, GGI is in a terrific position for the future. Our 600 franchises still continue to make Gold's Gym the #1 name and the largest health club chain in the world.

John and I had been thinking about stepping down for over 6 months now, but we wanted to wait until the time was right. We wanted to wait until after the Gold's Gym International Convention in Miami, which drew over 800 and was very successful, was over. John and I are entrepreneurs at heart and we are happy with our new direction. The horrifying events of September 11th re-enforced our choice.

There are so many people that I need to thank for their support over the years. Thank you all." Kirk Galiani.

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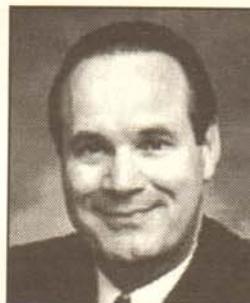
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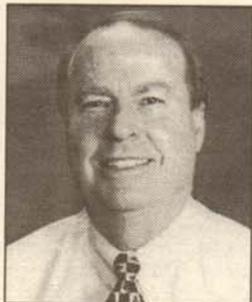
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(2582)

..Artega

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rived at college, he went out for the crew team. He was a tall skinny kid of 6'3" and 160 pounds and was cut from the freshman team almost immediately. Determined to succeed in crew, he started working out. There were no weights at the school at the time, and he would load up his suitcases with books and do curls with them and did a lot of push-ups. He also did a lot of running to improve his cardio capacity. In the spring of his freshman year, he made the crew team, and his team went on to become ranked #3 in America that year. He kept on working out and by the time he was a junior in college, he was 6'3" and 235 pounds! Artega became a team leader and was elected Co-captain of the crew team his junior year. Senior year he was elected Captain. To be

Captain two years in a row was an unheard of honor at the time. He had built himself from 160 pounds at 6'3" to 235 pounds through a dedicated weight-training program, and doing so changed his life forever. Artega comments, "What that had done was just change my whole self-image. It changed everything about the way I saw myself and the way I dealt with people. I had no idea I could become a leader prior to that. I was kind of a 'wallflower' and kind of quiet. That experience is really something that got me involved in fitness. Upon graduation, Mike and his wife, Sandy, of 28 years now, moved to San Francisco, where he worked in sales. (Mike and Sandy have 2 children, Jason 22; Evan 18), and after a year in California, they moved to New York City where Mike worked for the United Fund of Greater New York.

Artega Meets Nick Orlando

Mike was working out at

a gym in Manhattan in early 1971 and met a fellow who was preparing to purchase the Nautilus Franchise for the Northeastern United States. Artega recalls that experience. "I was working out at Dan Lurie's Gym 3 days a week. There was this guy there who I met, and we were spotting each other on bench presses and got to be friends. I didn't know who he was; we'd just shoot the breeze. Well, it was Nick Orlando. (Later, the Founder of Stairmaster). We got to be friends. I had mentioned to him that I was quitting my job and that Sandy and I were going tour Europe. He explained he was about to buy the Nautilus Northeast franchise in partnership with Nautilus inventor, Arthur Jones. He asked me if I'd ever heard of Nautilus, and I said "No." He gave me a book and some information pamphlets. The information made a lot of sense, so I became very interested. We did some Nautilus workouts, and they were just fantastic, brutal workouts. Nick asked me if I wanted to go to work with him in his new Nautilus franchise. I took the position, and Nick opened a small personal training center and showroom on 63rd Street in Manhattan. Before that facility opened I worked for Arthur Jones at the Nautilus Factory in Deland, Florida for several months. After that, I worked with Nick and Arthur for a year and a half to two years helping people set up Nautilus Centers around the country. I decided I wanted to do one of those myself and I started looking around for an opportunity. By the way, working for Arthur was the most unique experience of my life. Working for Nick was great, but Arthur is an absolute genius. He is entertaining and you NEVER know what is going to happen next.

I can remember when you worked for Arthur Jones in those days you did it all. You turned bolts, you drove trucks delivering equipment and setting people up all over the country. I can remember finishing work and Arthur would say, 'Come on guys, I'm taking you out to dinner. We'd go out to dinner and then come back to the plant and sit and listen to Arthur until 3 or 4 o'clock in the morning! It was just a great experience working with both

Nick and Arthur." Nick Orlando ended up selling his personal training center to Mike O'Shea (who was founding the Personal Training Institute in New York City) and then went on to build Stairmaster into one of the greatest brand names ever in the business.

Mike's Success Is Due To Their Success

Mike Artega's success story is one of the greatest examples of dedication, hard work and focus you will find anywhere. The truly exciting aspect of that success is that Mike's story has become 'their' story: the story of the All Sport All Star Management Team.

6 years ago, after spending over 20 years in the health and fitness club business as a partner with 3 others, Mike Artega finally found himself in the position of sole owner of the All Sport Club in Poughkeepsie. At that time, he re-discovered a management process initially shared with him in the early 1980s by longtime industry friend, Dale Dibble. That process is known as Open Book Management. (OBM) OBM is a process where key managers are given full control of all aspects of their departments in the club. They also have full access to all of the club's financials and are given weekly club performance financial updates.

Using Open Book Management, the All Sport Poughkeepsie, N.Y. club revenues have increased astronomically. Artega describes the results as a "Rocket ship Ride!"

Consider these numbers:

All Sport Club 1995
 Before Open Book Management:
 2500 Members
 64% Annual Attrition
 Payroll 47% of total income
 \$1.3 million in Annual Revenue
 6% Profit Margin

All Sport Club 2001
 After OBM:
 5,300 Members
 39% Annual Attrition
 Payroll 37% of total income
 \$2.8 million in Annual Revenue
 31% Profit Margin

So, here is a summary of what Open Book Management has done for All Sport:
 100% more members

10% reduction in payroll
 100% increase in annual sales
 500% increase in profit margin.

Prior to producing this article we traveled to the All Sport Health and Fitness Club in Poughkeepsie, New York and sat in on one of the All Sport Managers Open Book meetings. Although Mike had invited me to attend this OBM Meeting while I was in New York State, Mike did not attend. He and his wife Sandy and son, Evan, were salmon fishing in Alaska. But, as Mike said when he invited me, "I don't need to be there. The Staff runs the show and the meetings go just fine without me in attendance. You'll see. And see, I did! During the course of the 2-hour meeting the entire P & L was presented department by department by the managers of the various All Sport departments. Every one of the managers in attendance that day gave his/her report, and the results were written on the white board on the wall by the facilitator, Julie Pizzarelli, All Sport's Controller. Throughout the meeting, a variety of staff members quizzed their associates on different aspects of their report. The exchanges were friendly, easygoing and non-confrontational feedback. During the meeting the staff enjoyed box lunches without interruption of the meeting and information flow. The meeting was adjourned on time and everybody went back to his or her respective work areas and challenges.

This meeting was remarkable and just as "Coach Artega" indicated; I witnessed Open Book Management in live action.

The remarkable thing about Open Book Management and what Mike Artega has done with it is: (1) It is really a very simple concept and can be implemented by anyone in the club business that has total control of ownership of their business and wishes to pursue OBM. (2) The results have been simply amazing.

However, while I said OBM is really a very simple concept, I can't say it is very easy to do. My point is that in order to have the success that Mike Artega and his team are having, you must have a full and complete trust and faith in your Staff and they must trust you equally.

A Candid Interview With Mike Artega

I caught up with Mike by telephone after he returned from salmon fishing and he was kind to share his many experiences as he en-
 (See Artega page 12)



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New, In-Club Weight Loss Program Projects 200+K Annual Profit With Using Just 750 Sq. Ft. of Space in Your Club

Casey Conrad, long-time industry consultant, has developed a complete turnkey weight loss business 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 here are the results from three of the nine existing centers:

HEALTHY INSPIRATIONS at Westerly, RI (Stand-alone facility):	\$110,000 gross	43% cash
HEALTHY INSPIRATIONS at Contours Express for Women, Warrenton, VA:	\$42,000 gross	40% cash
HEALTHY INSPIRATIONS at Bodez by Tasso, Ormond Beach, FL:	\$92,000 gross	51% cash

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Healthy Inspirations Opens In Brazil

With a Samba Beat - HEALTHY INSPIRATIONS centers are poised to open in Rio de Janeiro and Sao Paulo Brazil. Distributorship for Brazil Goes to South American Fitness Leaders.

HEALTHY INSPIRATIONS, the fast growing weight loss and lifestyle program, has finalized an agreement on August 20, 2001 for the distributorship rights to HEALTHY INSPIRATIONS in Brazil with Waldyr Soares and Marcos Tadeu of Fitness Brazil. Soares, an industry leader in South America, who organizes the IHRSA Fitness Brazil Conference, was also responsible for bringing BodyPUMP to that region.

Talks between HEALTHY INSPIRATIONS, Inc., Soares and Tadeu began at the IHRSA show in San Francisco this past March. Soares and Tadeu recognized the benefits of the program and the similarities of American and Brazilian cultures when it comes to weight loss and fitness. Notes Tadeu, "As in the United States, 80% of members cite weight loss

as their primary goal for joining a health club-something most health clubs promise but do not deliver. The HEALTHY INSPIRATIONS program really helps people lose weight. We have test marketed the program to several key club owners and the acceptance is universal. The Brazilian club owners are very excited about adding HEALTHY INSPIRATIONS to their clubs." Tadeu has hired a nutritionist to make the necessary adaptations to the gastronomic culture of Brazil. He stated that, "The modifications were very slight but will go a long way to insure that the program is easily accepted and followed."

The initial launch of HEALTHY INSPIRATIONS, Brazil will entail three clubs. One of those locations will be in Rio de Janeiro, with club owner Carlos Pelligrini, of Bara Flex. Pelligrini is a superior club operator and IHRSA member who was a student of the business long before he opened his club doors. In addition to many IHRSA shows, Pelligrini has attended Casey Conrad's Health Club University,

and completely follows her sales and marketing systems and strategies. Conrad is founder and President of the HEALTHY INSPIRATIONS program.

The official launch of HEALTHY INSPIRATIONS was at the second IHRSA/Fitness Brazil Latin American Conference and Trade Show, September 11 - 13. Fitness Brazil intends to use the first three centers as beta sites and prove the translation to the Latin America culture before a wider launch, which is planned for March of 2002. They are also looking for a location for their first corporate center. This will serve as both a model for future licensees and as the site for training in Brazil.

Both Pelligrini and Tadeu recently attended the week-long training program at the HEALTHY INSPIRATIONS corporate training facility in Rhode Island where they learned every aspect of running a HEALTHY INSPIRATIONS center. Both were impressed

with the details of the HEALTHY INSPIRATIONS licensing program and training. Notes Tadeu, "The program is great! It is so detailed and efficient that it is almost impossible to go wrong. The counseling is the key factor for the client's success and I am sure that both licensees and clients will be amazed by how professional and goal-oriented the system is."

This brings the number of countries that HEALTHY IN-

SPIRATIONS is licensed in to four and the total number of licensed centers to fifteen. HEALTHY INSPIRATIONS is a structured weight loss program that can be licensed into an existing health club or opened as a stand alone facility. The program guarantees 2 to 3 lbs. of weight loss per week and can be instituted in health club with as little as 750 sq. ft. of space. Stand alone centers require only 1500 sq. ft. Both have been proven profitable in a very short time frame.

**MAKE
IT
FUN!**

Sales Down? Don't hire an Expert Fix it Yourself!

By: John M. Brown

WOW! I never thought I would be saying this, but after 23 years of fixing my own problems and other people's I have to admit it's true. This is like a lawyer telling you not to sue. I base this profound statement on the following elementary but convincing research. The last 195 out of 200 times I have gotten on a plane to go help someone with their sales issues I have been compelled to say basically

the same things. Its like the movie "Groundhog Day".

Don't get me wrong, I would love to help anyone who wants or needs help. I'll even go so far as to admit I like the money. But in good conscience I have to tell you that in my expert opinion, you don't need an expert to solve many of your sales issues.

For all you would-be, soon to be consultants, here's a template for success. Its what I always do first. Usually I don't have to go any further. No sleight of hand, magical formula,

tricks or potions. Here it is: **Consulting for Yourself 101.**

Before we start, lets ask ourselves some very direct questions. It may be painful but its best if you answer honestly.

1. Are you in control, aware and have detailed records of every telephone inquiry call that comes in to your club on a regular, consistent basis? If so, how do you know? What's your validation system?

2. At the end of the day, week, month, and year can you reconcile what happened to every guest that came in to your facility? What's your reconciliation process? Who is accountable for it? How do you know it's accurate?

3. Can you, with total certainty, say you know that every guest or TI or prospect was followed up on thoroughly? What makes you so certain?

4. Do you know for sure that your salespeople are directly asking prospects to join

your club? How can you be so sure?

5. Are you receiving daily, weekly, monthly quantitative sales data that gives you a clear picture of what is occurring in the sales aspect of your club? Are you sure it's accurate? How are you sure? Is the information being produced by an objective third party or prepared by those who the information is reviewing?

6. Are you 100% confident of your sales staffs skills, abilities, and training? Are they totally competent?

7. Are your salespeople closing at least 50% or more of their sales? If not, do you know why?

This Isn't Horseshoes

This isn't horseshoes, this is like counting money. It's either exactly right or its wrong. If you can't answer absolutely yes to all these ques-

tions then you don't need to call someone like me to fix it. You can! Most of the time owners complain to me that they need more guest traffic. Usually they are correct. But what good is more traffic if you aren't handling what you have correctly? If the above aren't done consistently and correctly, then all the purported 100 million members by 2010 we all talk about is just cannon fodder.

Ok, here's where you can start to fix and solve many of your sales related problems. It is where I always go first.

Watch Your Front Desk

Just spend two hours without a break at or near your front desk. This means you, not someone you send to do it. Listen to the phone conversations, the member interactions, watch the check in process and the handling of TI's and guests.

(See John Brown page 14)

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...Arteaga

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ters his 4th decade in the club business. Mike Arteaga is clearly one of the truly great club operators in the world and his candor and willingness to share everything really reminds me of our good friend, Dale Dibble, the man that has taught us all so much and that first showed Mike OBM 25 years ago.

Q. Mike, tell me about your entry into the fitness business after working with Nick and Arthur?

A. "In 1972 I built and started a little Nautilus Fitness Center that was 800 square-feet. It was actually next door to an auto garage, so it wasn't really a strip mall where we began, but they converted it to a strip mall later and I took about 2,000 square-feet during that conversion. In 1978, being young and foolish, I took on four partners and combined my little fitness center with a 25,000 square-foot racquetball and fitness club at our present location. The original site was on one acre and now our club is 50,000 sq.ft. on almost 3 acres. We've grown over the years and have just kept expanding the club. We hopefully will break ground this month to build a new 25,000 square-foot club across the river. Over the last 25 years we have slowly been able to buy all of the partners out and Sandy and I and our Senior Managers, including our GM, Janet Chianese, who has been with us 21 years and our Controller, Julie Pizzarelli, 16 years, have been with us through it all.

Q. Mike, I realize that your buyout of your partners had been somewhat tense. What can you share with us about that?

A. It's was a rough haul because it is very difficult to operate with people who have different sets of interests and values. You had asked me about Open Book Management. Dale Dibble at Cedardale outside of Boston had been doing OBM very successfully 25 years ago! I've spent a lot of time with Dale, and he has been a mentor to me. I saw his staff's enthusiasm in the meetings that I went to 25 years ago. I tried to put OBM in place then, but I couldn't do it! My partners, for one reason or another, refused to participate. So, it took me getting back on our own before we could do it, and it has been just a super homerun

since 1995 when we were set free. Dale was really the innovator for OBM in our industry. He became a good friend and he's one of the people that I most respect in our industry. Dale was an innovator way back when we were all in diapers! He realized before any of us long ago that this is truly a people business and that if you can involve your people and get their enthusiasm going, you can do anything. Dale did a magnificent job of getting people involved and giving them power to manage at Cedardale. He is still active in Naples, Florida and our thoughts are with him and Olive Mae. Dale is now involved in the Hyatt Classic Village Fitness Center in that huge retirement village. With his guidance and management by GM, Dave Lahait, they have 70% of the residents working out there on a regular basis! He has also been instrumental in setting up a computer center in the fitness center for his members. Dale Dibble is a guy that has given to the world his whole life, and we will never be able to repay him for what he has done.

Q. Once you had bought out your partners, how did you go about the process of installing Open Book Management?

A. First, I want to make it clear to you and all of your readers that I don't mind acting like the historian with our story and what has gone on here, but I really want to make sure everyone realizes that all I am is a player in this whole thing. (And, this author says, a Coach!) Our staff really is the coach that has accomplished it all. It's not a Mike Arteaga success story. It is a success story of our entire team and the fantastic job they have done! If we give anyone else credit, we should recognize Dale Dibble and Jack Stack because they gave us the Open Book concepts. Those concepts have just been an absolute breath of fresh air for us. It is an exciting trip. Let me tell you about the results we have gotten since 1995 and the installation of Open Book Management here. We are light years from where we were. These guys (our managers) are just doing an unbelievably good job. We instituted OBM almost immediately after the final buyout. I went to my General Manager, Janet Chianese and told her how we were going to change her pay structure because she was grossly underpaid at the time. I explained that as the income went

up, we were all going to share in it. She helped me design the program for the Senior Management Team. Then, Senior Management got involved in designing the program for our Supervisors. Then the Supervisors got involved in designing the program for their people. So, although it doesn't extend to every job because we've got a lot of part-time people, it extends to all the full-time jobs. Many of the staff are involved in the open book. So, we now have 25 to 30 team members who act like owners!

Q. Mike, can you give us some of the Open Book Management principles?

A. Sure, I'll be happy to share it with you and anyone else that wants to know about it. We saw Dale Dibble do OBM years ago. As you know, I am a member of the Faust Executive Roundtable #2. At one of our meetings, Will Phillips brought in this book about Jack Stack and started talking about Open Book Management. This was about the time when I was going through the separation of my last partner. I said to myself that Dale could have written that book, "The Great Game of Business" by Jack Stack. It is a fascinating business story about how he saved his company and has produced the tremendous success he enjoys today. Jack Stack says every industry is different, but the OBM Principles remain the same. So, what he did was put our own system together using Stack's book for guidance. Basically, you have to delegate the power to make decisions. People have to be able to make decisions in their area. You must have the right people. No one starts with all the right people; but eventually you will find them or they will find you. Some are not up to it and they will kind of cull themselves out. And yet, people will surprise you and you'll be amazed at who steps up to bat and who hits a home run sometimes. You have to delegate though. We take every account on our P&L and put a person's name to it. If you are the pool supervisor for example Norm, you won't have any income accounts. Your budget would be all expense accounts. (We don't have swim lessons or any other direct pool income) They have all the expenses for lifeguards, pool supplies, pool maintenance etc. Their budget might show expenses of \$9,000 per month. When they first re-

ceived their budget we asked them if they could do better than we've been doing? And, they would often say, 'Hell yes!' When we combined all the department budgets, we cut \$9,000 off the expense line the first month and off we went. Our system encourages teamwork. As a team they must make their total monthly expense budget in order to qualify for that month's bonus check. One or more of our supervisors may be over budget in his area, but if others were under enough to make up the overage, they all qualify for their checks! Wow does this create teamwork and concern for our teammates. You never hear "That's not my job"! Each month they set their budget for their areas. They say things like "we don't need to spend on that, let's spend on this. Or, there is no need to do that, let's do this." They had the power to make decisions and produced an immediate reduction in expenses. Then, we began to ask income questions, for example, 'why don't we do this in terms of attracting prospective members and why don't we do that? The membership income began to rise immediately. We didn't have a bad net income to begin with, but the first full year of OBM we saw an increase in net income of 300%! During that phase we had not implemented the profit sharing for the Supervisors! It is just the 'game.' They got into it, they were able to control their areas and participate in the 'game.' The game of producing an excellent service in their area. That alone improved things dramatically. After a couple of months we decided to put the Supervisors into the profit sharing plan also. Each one is on a percentage of the net income for the month.

The net income determines their bonus and we pay those bonuses monthly. We believe an immediate reward is critical! In my opinion, if you only have a year-end bonus, you're wasting money. Absolutely wasting money! It has to be paid monthly or at least quarterly so the people have an immediate reward for what they do. We pay it monthly and hand out the checks at the first Monday meeting of every month. Our payroll is normally done electronically but the month end check we like to put in their hand! This extra payroll is expensed in the next payroll, before the net amount is figured for the next month. This is no

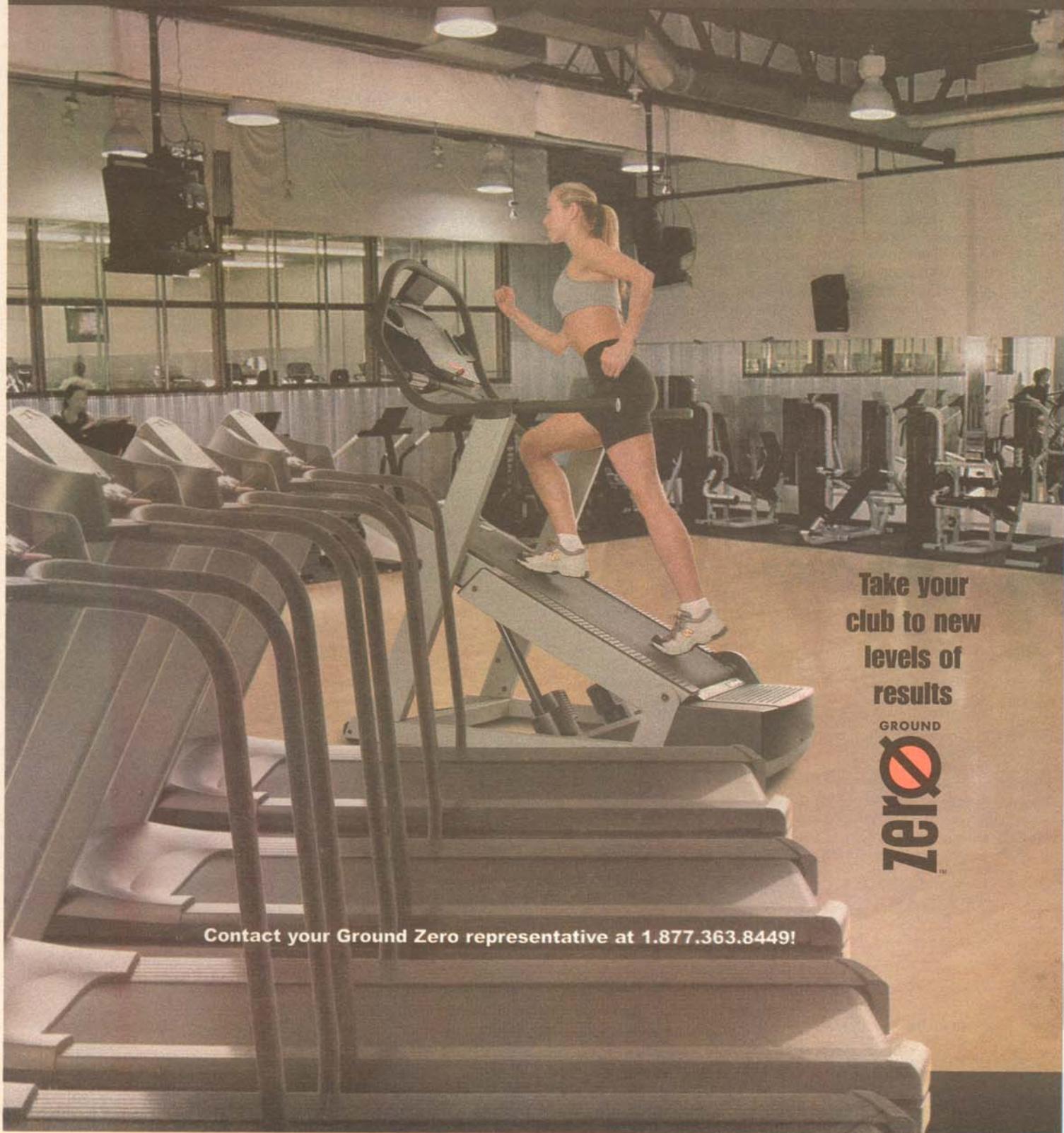
bleeding heart, welfare program; this is money they earned that they have created through great service to our customers!! It's a program that is so practical and so productive that I would never operate another business without it. The taxes are estimated and the checks are written by hand and distributed the first meeting of the following month. Our member numbers have been climbing and our profits have been skyrocketing as a result. Everyone is focused on the same goals. We are all paid off net income but there are different percentages for each team member depending on their responsibility. The percentages also increase as the Net Income Percentage rises. For example, they might be a 1/2 or 1 percent bonus if we do 20% net profit. If we go to 25% net profit, they might go to 1 1/2 percent. If we go to 27% net profit, they might go to 1 3/4 per cent. So it grows as our productivity grows. There is no downside. The more profit we make, the more money they make. And, we talk constantly and focus on the concept that profit is a function of satisfying our customers. So, we've got to keep our members happy. We've got to keep bringing in new members. We've got to work on our retention. Yes, somebody can be shortsighted and show a higher profit for one month, but what's the use? They will be penalized next month. If we do shortsighted and foolish things, it is going to cost us members and that's going to hurt us in the coming months. Most of our people are in this for the long haul. They all have a good feeling for what's good for the customer. What's going to keep the customer on board and how that's going to pay off long-term. It has been highly productive. We have built a team of people who really trust one another and rely on one another and whose hearts and minds are involved in helping people. It puts us all in the same boat!! For example, now we all hate to lose a great team member because it hurts our service level, which hurts all our pocket books!

Q. Mike, what other advice would you give club owners that are considering Open Book Management for their club?

A. Well, people call all the time and ask us that. I think that the most important thing is that #1, you're ready to step back and say, 'My people know better than I what the right decisions are. Who knows better how to keep the pool water

(See *Arteaga* page 16)

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..John Brown

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It will be eye opening! Write down every detail or opportunity that was missed, mishandled, or could have been handled better. You will have a page full. This is where it all begins. **If you don't have command of the phones or the front door, you don't have a club.** The front desk, their procedures, policies, operations and execution are totally tied to the sales effort. I always count opportunities. Usually in a two-hour period you will observe 5-10 opportunities missed minimum. This is a secret good club operators know. That opportunities exist every day, all day inside the walls of the club! You first have to recognize them, and then convert them into real dollars. The real money in this business or any that I'm aware of is in the details and how you handle them. Mr. Donald Carty, CEO of American Airlines, once said, "There is not much, if any, difference between airlines. The difference lies in how the successful ones handle the thousands of small details every day." In other words, all of us have facilities, equipment, programs etc., but the real differences, the differences that mean something to our customers, are in the way you transact business. Sure some clubs are bigger, nicer, better equipped than others and to some people that is important. But a deconditioned person, the same people who represent the largest opportunity in this industry today, can get in shape, improve their health, the quality of their life, and be happy and satisfied at any, I repeat, any of our clubs. As long as they are first, invited and encouraged to participate, then integrated, nurtured, and handled in such a way as they perceive to be fulfilling their expectations or more. Consider this the next time you're feeling that the competition is getting all the business. Most people have never set foot in anybody's club! They don't know the competition is better because they aren't there! They're not anywhere! Except at home or work or somewhere in

between. The way in which you go about operating your business can be the single most important way to compete and level the playing field against any competitor. Do you have competition from bigger, newer chains with more locations? Are you competing with discounters, Non-Profits, Parks & Recreation Leisure facilities? So what. You can start today to outperform all of them, stabilize your position, and be successful in your own right by focusing on how you operate your business every day and how you deliver your product to your customers. Sometimes we get it backwards. It's not how much you do but rather how you do it. Clubs big and small can benefit greatly from this approach. How many times have you heard from members of big club chains say "It's too impersonal", "After they get your money you never hear from them again until its time to pay again"? I'm not knocking big club chains nor saying that getting big numbers is not important or necessary. All I'm saying is that here we are, the club industry, on the brink of success, and close to 80% of all the people in the world have yet to use our product. I believe that as we improve our efforts to go get these customers and as importantly, improve and refine how we treat, interact, transact and care for these people we, as an industry will begin to experience true success. I always think the following thought when I'm feeling really happy and successful: if I'm so successful and so good at what I'm doing then why are most people in the world not my customers?

Observe Your Salespeople

• **N**ext, observe the salespeople closely for several hours. What are they doing with their time? How they handle members and guests and how their phone skills are. Are they focused? How they present themselves to people. Are they polished and professional? Do they look professional? Do they sound professional? Do they sound like salesmen? Bet you will have another page full of notes. Don't assume all these things are happening. Verify. Validate. Then di-

rectly begin to work on all you have observed.

Train Your People

• **W**hen was the last time your people had any training, skills enhancement, or re-training? Remember that skills begin to erode about 24-72 hours after training. Studies show that most people, even if they are interested in listening to you, only retain about 7% of what they have heard. Any wonder why those salespeople can't or don't do what you want them to do? You think they are trained, they think they are trained, but they are not trained. The single most neglected item owners & managers fail to do is regularly train staff. Once is not enough. Many owners say to me, "I don't know how to train my people". That usually is true, but here's another big consultant secret..... training is teaching. Any organized learning you can do or facilitate for your staff is beneficial. Sure you can hire a professional and maybe you should, but if you do, take advantage of it, because it's expensive! I'm probably going to lose millions on this but I'm amazed when I go to train a staff why they don't videotape the training? It's not because I say they can't. I even recommend it in advance. Someone in your organization should be responsible to learn how to train staff. I love going back to the same place three or four times a year to do the same training, but it's not necessary. In addition there are countless manuals, tapes, videotapes etc. available for owners and managers to use. If you are going to hire a professional, use them wisely. The best consultants are the ones who work themselves out of a job. Remember the first rule in any business.... Get rid of all the lawyers, accountants and consultants as soon as possible!

Do A System Check

• **D**o a System Check. Are all the systems you put in place still in place? Are they being used as you designed them to be? Are they being used at all? Are they being used consistently? Are your systems thorough or do they need updating? Are your systems solid and sound with no cracks? Does all your staff know how and why they are to use these systems? How can you tell if the systems are

not being used? Where's the warning signal? A smart man once told me, "Put systems in, train the people and ride herd on the people and the system". My experience has shown me that many people, especially salespeople, "like doing it their own way". Remember, ours is basically a simple business complicated by people. In fact the essence is so simple that people have trouble believing or understanding it. Here it is. "Encourage a member to bring a friend, enroll that friend on his first time in the facility, and never let him drop out". That is not an original. A very wise man taught me that along time ago and being a simple farm boy, I never forgot it.

Ask Every Prospect To Join

• **A**t least make sure that your salespeople are closing sales that don't close themselves. As I have stated before, I abhor high-pressure sales tactics. They are outdated, unnecessary and don't work. But there is a tasteful, tactful, professional middle ground where genuine caring, passionate enthusiasm and conviction in our product will prevail on most prospects. High pressure is not the answer but pacifism kills. Find your middle ground and at least know that all your prospects have been directly and passionately asked to join your club today.

Have A Daily Report

• **D**o you receive, review and take action on a daily quantitative sales report? In simple terms, do you know for real what is happening in your club every day and do you have a plan to fix, solve, and improve it. Hate to tell, you but most don't. It doesn't have to be complicated, just a plan. Simple is better but have a plan everyday. Yes, it changes day to day. Ask your sales manager and or salespeople this question; it usually stops them dead in their tracks. "What exactly do you have planned today to generate revenue and how are you going to do it"? If you get Well????, Uhhhh???, then you know they are making this up as they go. Often done, but not very profitable. Demand an exact, detailed answer to your question from all sales staff, then compare the results to your daily sales report the following day when you ask them the same question again. The word for the day is persistence. If you are persistent in getting answers to your ques-

tions then very soon you will begin to have a plan. Note: you may in the beginning have to teach them how to have a plan.

One Thing

• **A**ny of you out there have your sales manager doing other things besides sales production duties? Bad idea. It's a full time job when you do it right. In fact, it's a couple of full time jobs to excel at it. Take it from me; I've made this mistake before. Your sales manager should have a laser beam focus. Production. They should wake up at 6am every morning thinking where are the next sales coming from? As we all know by now, they don't just come streaming in. We have to go get them. Your sales manager should be making sure all efforts are being made to do so.

Use Sales Automation Software

• **K**now what sales automation software is? If you don't, learn. It can make your life easier and more importantly, used correctly make sales staff truly accountable. The computer may be wrong, but it has never lied to me. There are many systems out there ranging from inexpensive to outrageous. Shop around, but get one. It helps you get the facts, just the facts.

Know Your Stuff!

• **F**inally, Make sure you, yes you, are totally competent in all of the above. Of all the things they don't teach in college they don't teach sales. Life is sales. You may not be the best at it but having a true working knowledge of it, meaning you've done it yourself, is invaluable in fixing your own sales issues. I've met many an owner or manager who thought sales was someone else's job. In successful clubs it starts at the top and it's everyone's job. I've always liked the philosophy, "If you don't want to sell, you can't work here".

There you have it. All roads pass through here. **Sales Consulting 101. "Physician heal thyself"**

(John Brown is a nationally known consultant, speaker and author. A veteran of the club industry for over 23 years, he owns, operates, manages and consults with over 80 clubs across the country and in South America. His company, Professional Club Management, Inc., is a leader in developing clubs. He can be reached at: (913) 557-9018 or email Jbrown8137@aol.com)

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clear: me or the pool supervisor who has to deal with the problem when it goes cloudy? So, I think we have to admit that we may not know all the answers. Some people may not be ready to do that. Then, you have to be able to concede a major portion of the decision-making to those people and really have faith and let them make the decisions. I think you also have to make the commitment that you are going to treat one another and your customers honestly. This system is based upon trust. If you're not willing to do this all the time, then it won't work. People have to learn to trust one another and they do very quickly if the rewards are in the right place and you have the right people there. If you have somebody on board that is adjusting the truth or backstabbing a team member, he's gone real quick. Our people won't tolerate it. I haven't fired anybody in years. The team takes care of it. Our CEO doesn't even have to do it. Our people will come to her and say look, this person is not doing this or that right. By the same token, they will come to her and tell her that a particular person is outstanding because when everyone is in the same boat, everyone benefits when we perform well. Then the focus is not on, 'I don't like Janie, so I'm going to squeal on her. The focus is on 'I don't like Janie because I don't like how she talks to the customers!' It affects everybody's pocketbook and everybody's motivation. Honesty is an absolute criteria. It's tough to admit that there are people out there when given the right circumstances will perform as good as or better than me. This can be a real challenge for a lot of entrepreneurs! Many people have been successful

and just grow to believe they have all the answers to life's problems. The shame is when you have that attitude, you drive bright people away from you. They don't want to stay around someone who doesn't trust them or think they are bright. The reverse happens when you start to go to your people and say, 'What do you think about this?' What do you think about that?' You draw these people to you. It's really exciting.

You Are Not Giving Anything Away!

One other thing I would add, Norm, for club owners that are thinking about getting involved in Open Book Management. That is, 'you are not giving anything away!' You can structure it so that the only thing you are giving away is profits that you don't have when you begin. One club owner I spoke with had the misconception that he had to cut pay across the board in order to start the program! That will never work!! People will never vote themselves a pay cut! The program needs to be built on your people's desire to be the best, to be winners and additional pay is a part of the increased net income that results. This changes payroll into a reflection of success rather than just another expense. Imagine being happy when payroll goes up! When I see their pay going up I'm thrilled because I now know we are ALL benefiting! We are all making more money, we are all having more fun, and the members are being served better!! We're all in the same boat!!

To summarize Mike Arteaga's advice for club owners that would like to install Open Book Management in their clubs

we have the following points:

(1) You should obtain and read a copy of the book entitled: "The Great Game of Business" by Jack Stack before you take any action. This book gives a terrific perspective on Open Book Management from a business veteran who accomplished amazing results with it in his own company and many others.

(2) You and your staff must be brutally honest on all issues. Honesty is an absolute criteria.

(3) Remember, you are NOT GIVING ANYTHING AWAY. The profits you share are NEW profits that you aren't even making before OBM, so there is ONLY an upside. You can structure things so that all profits shared are NEW profits that would come only after positive results from OBM are obtained.

(4) You must completely delegate the power and authority to make decisions without the staff person having any fear of repercussion.

(5) You must be ready to accept, really concede and acknowledge the fact that your people know as many or more of the right answers than you do.

(6) You should begin to share the Open Book Management profits immediately and you should distribute special OBM checks monthly.

Q. Mike, let's move on to your involvement with IHRSA. You've been a member since we started IHRSA and are now in your 3rd year as an IHRSA Board Member, aren't you?

A. Yes, I am Norm. Thinking back on the beginning of IHRSA You guys back then had a dream in 1980. And, much of what you dreamed has been accomplished!

We are beginning to become respected by the medical community. We're gaining respect from the public as a part of the healthcare system. In fact, we're talking about our 'New Dream' as if we were starting out all over again, where do we see ourselves in the next 20 years? That's the job of the Board now and Geoff Dyer (new IHRSA President) will be leading a discussion on that at our next Board Meeting. IHRSA has been absolutely essential to our industry growth. Until I came on the Board I didn't realize how much IHRSA does! They have accomplished so many things for our industry and they have an incredibly talented staff. John McCarthy has been a tremendous leader as our Executive Director and has had a truly remarkable run at IHRSA. Hopefully, John will be leading us for many years to come. So, I think our club would be a different organization without IHRSA. IHRSA has changed the complexion of the whole industry over the last 20 years. When we are in need, the resources that IHRSA has developed are simply amazing. Amazing! Most IHRSA members are unaware how many services and tools that IHRSA has available. If there are any constructive suggestions, I am sure one would be to somehow learn to communicate better with the members the vast array of help IHRSA can provide its clubs.

Q. Mike, are you a member of any other professional organizations.

A. Yes, I was a member of NEHRSA, the IHRSA predecessor and I have been a member of Faust Executive Roundtable #2 for the last 10 years. The Roundtable has also been a tremendous experience. Of course, I'm still serving

on the IHRSA Board.

Club Insider- Mike, we appreciate your service a lot and the service the other IHRSA Board Members provide to both the Association and the club industry worldwide. I probably don't even comprehend how much work you Board Members must put into serving the Association as a Board Member now and on behalf of us all, I say thanks!

Arteaga Thanks Norm. It is a lot of work; a lot of fun and it's great to be able to give back to an industry that has done so much for me! I've served on the Nominations Committee and Chair this Committee this year. I'm very proud of the very capable industry leaders we have had a part in bring onto the Board over the last few years.

One of the primary thrusts of The **CLUB INSIDER** News is the business of sharing the great success stories in our industry with you, our readers, so we may learn and profit from their experiences. Mike Arteaga and his All Sport All-Star Team are terrific role models for the health, racquet and sports club industry and we congratulate them all on their great success!

(Norm Cates, Jr. is the Publisher and Editor of The **CLUB INSIDER** News. Cates is a 27-year veteran of the health, racquet and sports club industry and the 1st President and a Co-founder of IHRSA in 1981. In March, IHRSA honored Cates with its highest honor for club individuals, the DALE DIBBLE Distinguished Service Award. In June, he was honored as the International Journalist of the Year given by the Italian Fitness Federation.)

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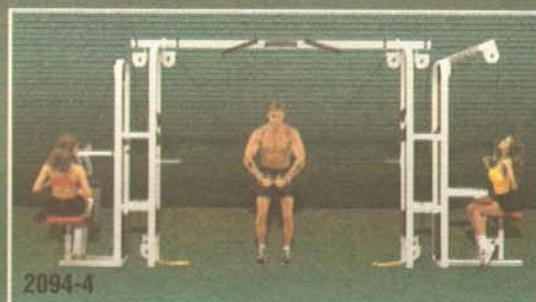
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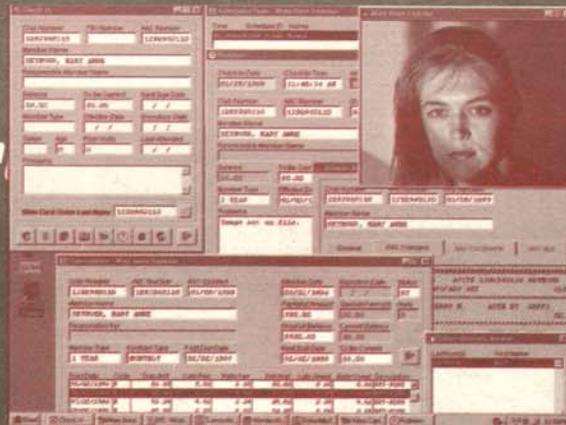
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Can the Industry Hit 100 Million? No, says Tom Plummer, not unless it changes its ways!

By Thomas Plummer

Reprinted Courtesy of IHRSA's CBI Magazine and The Thomas Plummer Company

For the health and fitness club industry, it may well be the most important question of the coming decade: What can we do now to reach 100 million members worldwide? The question was first posed in 1999 by John McCarthy, the Executive Director of IHRSA, and brilliantly articulated in 50 Million Members by 2010, which dealt specifically with the U.S. membership goal. Since then, "100 million" has been warmly embraced, and eagerly adopted, as a goal, by IHRSA, the Sporting Goods Manufacturers Association, other associations and organizations, manufacturers, clubs in short, a growing portion of the entire industry. Suggestions, and progress, have both been made, but the question remains largely unanswered. Do we, as an industry, have the potential do we have what it takes to reach, convince, and effectively serve 100 million people who are interested in and would profit from, belonging to a club?

The answer to that question, at least for the moment, is No. The fundamental problem is that we're not selling what prospects and members want to buy. Our model, our offerings, our marketing and our sales techniques date back to an era when Elvis and Marilyn not Ricky Martin and Julia Roberts ruled the universe; when exercise equipment was all-chrome; and when a kidney-shaped swimming pool indicated that a club was state-of-the-art. To attract significantly more members in the future than our current growth rate will yield, we need to make fundamental changes in the way we do business. What are the key points preventing our industry from experiencing true growth?

1. We have to change the model. Approximately 87% of this country's population doesn't yet belong to any sort of fitness facility. And, at the same time, according to Time magazine, 60% of the population is defined as being overweight or obese. We blame them for not caring, or being concerned, or being bright enough, but maybe it's our fault as an industry that they haven't elected to join a club. In the world of business, if 87% of your potential customers take a long hard look at what you're selling, and decide not to buy, then maybe you need to take another look at your

product not the prospect. They saw, they considered, and they voted, and we, apparently, didn't have anything they wanted to buy. Today, most fitness facilities are nothing more than enclaves for people who are already healthy and fit, and the rest of the world, particularly the deconditioned, knows it. How many times has someone said, or implied, "I'd love to join your club . . . and I'll do it as soon as I get into shape." We think that the consumer is unclear on the concept, but perhaps we are: as an industry, we support a lifestyle, not making a change in a lifestyle.

2. We have to stop falling in love with our own product. Let's be clear about one thing: "health and fitness" has never sold, doesn't sell, and never will sell. But, because we're so in love with, and so committed to, our concept, and our product, we're willing to forego 87% of the market. We're selling a lifestyle that, for many consumers, is unimaginable, when what they want is straightforward solutions for specific problems. A deconditioned housewife wants to lose 10 pounds before her next high school class reunion, and we offer her a two-year contract. Help her with her problem first! Show her how lifting weights will make her smaller . . . and, while you're at it, explain how it made that young trainer over there bigger. Help her with her problem, and, maybe, later, she'll be interested in hearing about your precious lifestyle. This simple disconnect between seller and buyer is why fitness facilities regularly lose out to Weight Watchers and TV infomercials selling fake weight loss pills.

3. Our model is two-dimensional. We have to embrace lifestyle enhancement. They want to get better at golf, we sell strength training. They want to get better at tennis, we sell strength training. They want to lose 10 pounds before that rapidly approaching class reunion, we sell strength and cardiovascular training. We build huge, multi-million-dollar facilities, but we only sell two basic products. Explain that to Wal-Mart. To attract the 87% of the market that isn't currently shopping for "strength" or "cardio," we need to understand and utilize lifestyle enhancement. According to one national business magazine, five

years ago, the average middle-class employee worked 47 hours per week; today, that same person works 57 per week. Most Americans don't have the time to do the things they love . . . and we make it worse by saying that they have to choose between a workout at the club and a round of golf. Instead of posing unpleasant choices, we should proclaim the motto "Whatever you do in your life, we can make it better." We should stop selling fitness, and begin selling lifestyle enhancement.

4. Our current membership has evolved into a group of hobbyists. Our members join and make use of our clubs because fitness, e.g., lifting weights, riding bikes, climbing stairclimbers, is their hobby. It's what interests them, what they do for relaxation, the way they spend their increasingly rare spare time. Which is fine, both for them and us. But if we want to attract a less select crowd, a broader range of people, we also need to employ what's known as portal marketing; "portal," in this case, refers to all inclusive, short-term solutions designed for specific problems. We could, for example, run an ad asking, "Does your golf game make Tiger roar? Maybe it's your body that's getting in the way of par." And then sell a 6-8-week, golf conditioning program based on nutrition, functional training, small group classes, and one-on-one sessions with a golf pro in the fitness center. As far as the prospect is concerned: it if smells like golf, it is golf. And, once they've experienced success in the club setting, we can make them a member for life.

5. Most of our marketing is insulting. Sorry, there isn't any other way to say it. Cleavage is not a sophisticated marketing tool, no matter how many male club owners claim otherwise. Attractive women, with generous attributes, and shrinking exercise outfits, don't constitute a reasonable role model, for children, other women, or men. Rather, they represent a significant barrier to entry for most of that remaining, and unresponsive, 87% of the market. With all due respect to 24 Hour Fitness, what deconditioned women with a poor body image would want to work out beside Cindy Crawford? Or to have her husband work out beside Cindy? Such advertising perpetuates the stereotype that you have

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IHRSA

CBI Magazine Sept. 2001 Cover

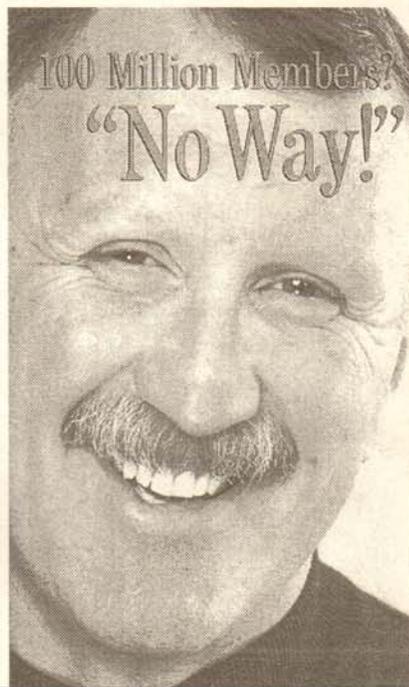
to be not just fit, but perfect, to join a club, and, as a result, undoubtedly turns off more prospects than it turns on. When my company conducted a survey in a mall, asking 200 women what they thought of a club ad featuring a scantily clad model, 93% of them described it as sexist and chauvinistic, only one of those respondents belonged to a fitness facility. Many independent club operators spend a great deal of time and money trying to counter this damning image, but, at the moment, it may well be the industry's greatest obstacle to hitting 100 million members.

6. Our prices dictate prospects' and members' expectations. You get what you pay for, it's a simple concept, and one that we've heard, and accepted, for most of our lives. What we charge for a membership or club services sends a clear message to both prospective and present consumers. They make a direct connection between price and quality: it determines their expectations. If the price seems too low, the shopper will develop a correspondingly low opinion of your

club. In general, in today's market, if you're charging less than \$40 a month, you're suggesting that the club will be dirty, the service poor, and conditions crowded. Advertising that focuses on price makes a mistake in that it generates preconceptions about what to expect, and is based on a dubious assumption: that the prospect has already decided to join a fitness facility, and is now shopping on price. Clearly, in 87% of all cases, that assumption is false: the person involved hasn't decided to buy, and so, for the moment, price is irrelevant. As an industry, we want to convey the notion that our clubs offer not less, but rather, more.

7. The top 60% will make a difference. Over the years, we've made the mistake of letting the bottom 40% of the demographic market write our business plan. We want higher prices, a greater return per member, and a more stable membership, but, incredibly, cater to the 40% who, in general, have unreasonable expectations both about what they're going to get, and how much, they should pay. All too often, we've al-

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Colin Milner - Fitness Visionary Launches ICAA To Change The Way We Age

At first glance, Colin Milner appears to have little in common with Ken Dychtwald. Milner is CEO of the newly formed International Council on Active Aging (ICAA) and the former president of IDEA Health and Fitness Association, the world's largest association of fitness professionals. Dychtwald is a Fortune 500 marketing consultant and bestselling author, most notably of the smash hit *Age Wave*. But on one thing the two definitely agree: demographics is the plutonium of today's economy.

Boomers are the most powerful force in marketing history. Ignore these realities at your peril, or work with them and prosper. Milner chose the latter route when he joined Keiser Corporation, a fitness equipment manufacturer, in 1992.

While at Keiser, Milner pioneered the award-winning Keiser Institute on Aging. This led Canadian Fitness Business magazine to compare his visionary abilities to those of David Foot, bestselling author of *Boom, Bust and Echo*. On 30 September 2001, Milner launches the ICAA to make his vision a reality.

The ICAA is a Vancouver-based membership organization that seeks to change the way we age. It unites professionals in the retirement, assisted living, fitness and rehabilitation, and wellness fields, then works with them to dispel society's myths about aging. The organization offers its members the information, education and tools needed to serve the aging Baby Boomer and mature adult market well.

"What the ICAA will do," says Milner, "is give people the knowledge that will raise the industry standards and level of service when it comes to aging members and residents. What we really offer," he continues, "are the tools for success." For instance, the organization is developing an ongoing wellness support package for its members to deliver to their clientele.

"Serving this market better will lead to more people making healthier choices," says Milner, "and that will change the way we age. Research shows that, other

than diet modification, exercise holds the greatest promise for reducing the risk of chronic disease. The Alliance for Aging Research calls chronic disease a threat to the health and economic well being of the United States. With projections indicating that 160 million Americans will have chronic conditions by 2040, the ICAA and its members could make a significant difference to the country's health and economy."

"Our aging population also represents a largely untapped and rapidly growing business opportunity. The over-55 demographic already exercises at an average of more than four percent above the general population. According to the International Health and Racquet Sports Association (IHRSA), club memberships in the under-55 crowd grew 76 percent between 1987 and 1999, while those in the over-55 crowd grew an astonishing 245 percent," says Milner.

IHRSA refers to the over-50 market as the centerpiece of the fitness industry's growth between now and 2010. Professionals who understand and serve the aging adult well have a significant advantage over their competitors. The ICAA aims to prepare and support its members, so they can achieve optimal success.

Another of the ICAA's goals is to spread change throughout society by sharing world-class information on health and wellness. For months, Milner has worked at assembling an Advisory Board that shares his vision. He now has 20 of the foremost authorities in aging research, fitness, gerontology, and senior housing serving on the ICAA's Advisory Board. Each adviser will be instrumental in helping the organization develop programs, training, information, and tools to share with its members. And in the long-term? Milner aims to find a partner that will help fund ongoing state-of-the-industry research into active aging.

We asked Colin Milner to share his vision of the industry and to discuss his organization's future.

CI: You have an almost biblical zeal and passion for the aging market. How did you first find your passion?

CM: I've had many defining moments. But my interest in the aging market first started in 1992, when I attended John Rude's session at a NACA Conference. Rude is a well-respected consultant in the field of aging. We met and talked at a function after his seminar, and I can honestly say his passion for the aging market and for the impact we could have on millions of lives was the spark.

During my time with Keiser, I was also involved in many projects, speeches, and marketing jam sessions on how to address this quantum shift in our thinking about the aging market. Those sessions fanned the coals into a wildfire.

CI: How did you come up with the idea for your organization?

CM: The ICAA is the culmination of my 19 years in the fitness industry, especially the last 10 years with Keiser. During the last decade, I visited about 1,000 fitness clubs and senior housing facilities annually. Every year I saw little attention paid to the needs of the aging Baby Boomer and older adult market. Most groups do not focus on this market; it's just not their core business. And organizations that do provide programming for this group see it as a small part of their total business. I also saw, in fact, continue to see, a lack of people with the specific qualifications and knowledge for dealing with the aging crowd.

The ICAA is like any business opportunity: you see a need and you address it. It's that simple.

CI: In the last five years you've written or been featured in over 80 articles on aging. You've also spoken on the same topic at more than 20 conventions. Have you seen a shift in our industry's acceptance of this market?

CM: Real change is hard, no matter what industry you're in. I'll never forget hearing Ken Dychtwald speak at an IHRSA Convention. He was electric. I stood beside another

major player in the industry and heard him say he had found his direction. Three years later, he had done nothing to change.

Don't get me wrong, though. Change is happening. But it's coming from the fringes, not the center. Small clubs, retirement communities, hospital wellness facilities, and YM/YWCAs are embracing this market. The major chains remind me of the Titanic: they're steaming towards the iceberg. They know they have to change course. It just takes longer to move a large ship.

CI: Why do you think that is?

Truthfully, because it's a lot of work. What attracts the younger market doesn't necessarily appeal to an older clientele. Imagine how long it takes just to lay the proper groundwork for serving boomers and older adults.

Designing successful age-appropriate programs takes careful consideration and constant research. Coming up with the right marketing campaigns demands special skill. Achieving the necessary knowledge and experience is time-consuming, yet vital. For instance, trainers must be well informed about which exercises to recommend and which ones to avoid ensuring their clients' safety and the facility's continued credibility.

Now you know why I've created the ICAA. With ICAA membership, professionals gain instant access to a panel of experts on aging, fitness, wellness, and healthcare. They receive all the information needed to market and manage programming for older adults at wellness or fitness centers. And they come to one easily accessible resource for this support.

CI: Say one of our readers is thinking about getting into this market. Where should he start?

CM: Some club owners feel apprehensive about approaching the older market. They should know they're not alone.

I once read an article in

which Diane Bonifas of Lake Front Racquet and Health Club in Celina, Ohio, stated, "I was a bit reluctant to start senior programming because all our other classes were so upbeat and positive. I didn't care for the idea of being around a bunch of older people." But she discovered the benefits of working with mature adults when Lake Front finally offered a program for them: "In the first class we had six people, the next class attracted 14 people, and the rest is history." She added, "I had never experienced some of these great moments in life until I worked with seniors."

What would I tell your reader? I would say: Look in the mirror. Ask yourself whether you're really prepared to change. If you're not, then don't bother. But if you're willing to change, you'll have some of the most rewarding experiences of your life, like Diane.

CI: What about the revenue potential of the aging market? Do they actually have any money?

CM: Well, there's a statistical approach to your question, and there's a real life approach.

Let's start with the statistical approach: this group of Americans has 80 percent of the wealth and 55 percent of the country's discretionary income. It also accounts for 50 percent of the consumer demand and spends over \$7,000,000,000 on Internet purchases a year. Yet we keep offering them discounts, because we assume they have no money.

The real life approach is to poll a group of personal trainers, as IDEA does, to see who makes up their largest market segment. If you took a poll, you'd find the answer is the 40-plus market. Why? Because they can afford it.

CI: Any last words of advice about this market?

CM: Imagine it's the 1950s and you sell TVs. You know about 10 percent of the country owns a TV set—that's a hypothetical figure, of course. Aren't you pumped to know that 90 percent of the population could buy your product? Well, there's a similar situation in the fitness industry today. By 2010, people aged 55 to 74 will outnumber the 25 to 34 year-olds. Why wait? Run, don't walk, towards this market!

(See Milner page 24)

IHRSA/ATHLETIC BUSINESS ORLANDO 2001

Speakers, Work-Outs, New Products & Great People

Don't miss the 16th Annual Club Business Conference and the 10th Annual Sports and Fitness Facility Expo, co-presented by IHRSA and Athletic Business

With a location like Orlando, Florida, a line-up of expert speakers in sales and marketing, early morning work-out sessions proven to jump-start your day, a trade show full of innovative and

exciting new products for the health and fitness club industry, IHRSA's 16th Annual Club Business Conference and the 10th Annual Sports & Fitness Facility Expo co-presented by IHRSA and Athletic Business, is the place to be in December!

Proven year after year as a strong networking and educational event, the Club Business Conference is taking a strong focus this year on sales and marketing, with new events

such as open forums, where attendees will have the opportunity to "ask the experts" in a question and answer session. Karen Woodard, Paul Goldner, Casey Conrad and Gregory Florez will represent the panel of experts.

This year's keynote speaker is Dr. Tony Alessandra, a marketing strategist and applied behavioral scientist, known for being a leading authority on bottom-line marketing tactics

and on building business relationships for life.

Always a popular and energetic speaker, Sandy Coffman will be conducting IHRSA's feature presentation on how to improve your club's customer service, programming, retention, sales, and marketing. Sandy's presentation is open to all conference attendees and exhibitors.

And, if you think that early morning workouts are for

'the other guy,' come and experience the cardio kickboxing workout of Clarita Cabanas, "Beat It!". Combining martial arts, boxing and aerobic patterns, there is sure to be something in this routine for you!

For more information about the Club Business Conference, December 5-8, 2001 at the Orange County Convention Center, please visit www.ihrsa.org/meetings or call 800-228-4772.

...Plummer

continued from page 20

service levels. Common sense, and the increasingly high level of investment it takes to open and operate a club, suggest that we identify the top 60% as our intended audience. Our marketing, sales techniques, staff selection, degree of club finish, all should be targeted

at this more sophisticated, affluent, and rewarding market. Another mistake that we make all too frequently: we try to be all things to all people. It doesn't work.

8. Will the baby boomers ever show up at our clubs? Some of them won't . . . and some of them will. Predictions about the dramatic impact the Boomers would have, while

on target, were off by about 10 years. The members of this generation who are already 50 grew up in an era before fitness was an integral, and highly visible, part of the American experience, and won't materialize in any great numbers; they're hard to market to and hard to keep in clubs. The younger contingent of the Boomer cohort, however, grew up in the 50s, and were privy to the running boom, the aerobics explosion, the fitness movement, and the growing popularity of a wide range of sports. They'll show up at our clubs, but, unfortunately, many of our facilities will fall short of their expectations. They're looking for more amenities, lifestyle enhancement, and professional staffing, and a higher degree of build-out. They appreciate a sophisticated

approach . . . and, if we don't provide it, they'll come, but also depart.

9. It's not the service.

It's the experience! Most businesses, including clubs, can no longer compete successfully solely on the basis of service. A high level of service has become a basic, and expected, prerequisite, and doesn't qualify as a point of differentiation, of distinction. Neither do our prices, or our equipment, or our programs. To set ourselves apart from the competition, our clubs now need to provide a memorable experience. Americans don't want a cheap cup of coffee; they want a \$3 production from Starbucks. They don't want a simple family vacation; they

want an adventure at Discovery Cove, in Orlando, that they can reminisce about for years. But, because we're so in love with our own product, we've failed to respond to their desires. There have been attempts at innovation, to be sure, but, thus far, nothing that qualifies as a true experience. Our members want to be surprised, entertained, amazed. They want 30 TVs in the cardio center, a sports bar in the middle of the club with direct feed for all of the Saturday games . . . They want you to provide more than a workout; they want you to bring wonder back into their lives.

10. "It was the best of times, it was the worst of times."

And that's still true today. There's never been a better time, or a worse time, to be in the health and fitness club industry. Best . . . because a secure foundation has been built; the public has been educated about the rewards of regular exercise; the untapped market is huge; people are anxious to improve and extend their lives; they're willing to spend money in order to do so; society is making more demands; technology is creating new opportunities; and, while all of these things are true today in the U.S., they will also soon be true worldwide. Worst . . . because we just won't get out of our own way. We need to rigorously reexamine our beliefs, our product, our business models, our practices, our systems, and our success. "This way has always worked" is the greatest impediment to significant improvement; the fact of the matter is that "this way" has worked approximately 13% of the time. If we want to hit 100 million members, we need to do much better than that.

(Thomas Plummer is the Founder and President of the Thomas Plummer Company, a sales, management, and marketing firm, and can be reached at 818-707-0057.)

Norm Cates' **THE Club Insider**
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National Fitness Trade Show Highlights Include Multiple Events:

Aphelion University, World Gym Western University, Ms. Fitness USA And Ms. Fitness World

By Mary Fontenot

Those clever rocket scientists from Aphelion, Inc. decided to put on a "University" of their own September 6-8 while co-sponsoring the National Fitness Trade Show in luxurious Las Vegas, Nevada. The event was held exclusively at the Rio Hotel & Casino's Pavilion exhibit area. In addition, World Gym Western University, Ms. Fitness USA and Ms. Fitness World competitions were also happening simultaneously during the three-day event.

The event began with Bill Nichtberger, Aphelion's Vice-President, introducing Dr. Reg Berka, Ph.D., President, who gave a presentation on the company's newest Internet products and services. These new products include AIMS (Aphelion Interactive Member

Server), BOSS (Back Office Support Services), SQL and ASP versions of the software, and Aphelion's FitnessAlliance.net buyer's guide. The Aphelion BOSS product was mentioned favorably by each and every speaker, as well it should be: BOSS (performed in Real Time) handles all back office services including data entry, billing, member services, and database integrity, which includes audits of member's information to insure proper billing.

Other Aphelion speakers included Mike Kersman, Manager of the Technical Support/Customer Service department, who spoke about the procedures and reports used to "Manage the Life Cycle of the Membership". Mary Fontenot, Trainer and Customer Service representative, spoke about the items needed to "Optimize Your

Club Settings". Dr. Reg Berka concluded the Aphelion training with an in-depth discussion on the accounting functions within the Aphelion Fitness Manager software.

Paul Bosley, President, HealthExperts.com spoke on the importance of "Applying Internet Technology To Your Club". He enthusiastically supported the Aphelion BOSS program and described our future on the Internet. Paul Schaller, President, ABC Financial Services, Inc., recognized and praised the talents of Steve Lewis, Director of Engineering at Aphelion. Mr. Schaller then brought the crowd to their feet when he gave away two one hundred dollar bills to contest recipients. Mr. Schaller spoke about the "4 E's of Business", the billing services his company provides and how they work hand-in-hand with Aphelion. The attendees also heard from Marc Petersen, Presi-

dent, Time Trade System, Inc., whose company has become Aphelion's partner for on-line member scheduling service. HealthFirst USA is an Aphelion solution partner that provides a seamless interface for health assessments, as described by John Saville, National Manager of Sales.

Adding to the success of Aphelion University was the visit of World Gym's President, Mike Uretz. He congratulated Bill Nichtberger and Reg Berka on Aphelion's accomplishments and the success of Aphelion University.

Bill Nichtberger, stressing the importance of his commitment to align Aphelion and its customers with only the nation's premier companies, announced that Dunn & Bradstreet was

Aphelion's newest solution partner for past due collections for BOSS (back office support services). A presentation by Giana Lucky, Account Representative and Anthony Gagliano, Southeast Regional Manager, followed.

Bill Nichtberger gave the concluding remarks for Aphelion University, which were followed by a round of applause from all attendees. The success of the training given at Aphelion University was confirmed from assessment surveys that acknowledged the depth of knowledge and information conveyed at the seminar. In addition, the commitment to attend future seminars was almost 100%. All attendees then gathered for the StarTrac TR 4500 treadmill drawing. Gary Nielsen, President of Gold's Gym - Downtown Ogden, Utah was the lucky winner who immediately initiated discussions with the StarTrac representatives to purchase 11 more treadmills.

...Colin Milner

continued from page 22

VISION

The International Council on Active Aging (ICAA) is dedicated to changing the way we age by uniting professionals in the retirement, assisted living, fitness, rehabilitation, and wellness fields to help dispel society's myths about aging. We will also help these professionals to empower aging baby boomers and older adults to improve their quality of life and maintain their dignity.

MISSION

The ICAA connects a community of like-minded professionals who share the goals of changing society's perceptions of aging and improving the quality of life for aging Baby Boomers and older adults within the six dimensions of wellness.

The Council supports these professionals with education, information, resources, and tools, so they can achieve optimal success.

APPROACH

The ICAA will integrate the following elements into a cutting-edge approach for professionals working with aging baby boomers and older adults:

1. Wellness programming

The ICAA is working on delivering programs for aging Baby Boomers and older adults in all six dimensions of wellness: physical, emotional, spiritual, vocational, intellectual, and social. For example, one of three people over the age of 65 fall each year. The ICAA is developing with its Advisory Board a complete fall prevention program that could help minimize this risk.

2. Health behavior changes

The ICAA will provide professionals with education and information to help them support mature adults in making healthy living changes.

3. Marketing support

The ICAA will provide professionals with specially designed and branded programs plus marketing tools that will make it easier for them to attract an aging clientele.

ADVISORY BOARD

The ICAA Advisory Board is made up of the following experts in medicine, gerontology, senior housing, research, and fitness:

Bonni L. Kaplan, B.S.
Director of Marketing and Communications
Senior Lifestyle Corporation

Ben Hurley, Ph.D.
Dept of Kinesiology College of Health and Human Performance
University of Maryland

Beth Zbieg, MA/CCC-SLP
National Director of Rehabilitation Services
Marriott Senior Living Services

Debra Rose, Ph.D.
Co-Director,
Center for Successful Aging
California State University-Fullerton

Dennis Keiser B.S.
President/CEO
Keiser Corporation

Elaine Gallagher, Ph.D.
Professor School of Nursing
University of Victoria

Glen Colarossi, M.A.
President
AgeFit

Gloria M. Gutman, Ph.D.
President, International Association of Gerontology and
Professor and Director,
Gerontology Research Centre & Programs, Simon Fraser University,

Gwen Hyatt, M.S.
President
Desert Southwest Fitness Center for Continuing Education

Jan Montague, M.G.S.
President Montague Eippert and Associates

Jan Seaman, P.E.D.
Executive Director
American Association for Active Lifestyles and Fitness

Jessie Jones, Ph.D.
Professor Kinesiology and Co-director,
Center for Successful Aging,
Cal State-Fullerton

John Rude, M.S.
President
John Rude and Associates

Katherine Meacham Hamlin,
MBA, B.S.
Director, Health & Fitness Services
Johnson & Johnson Health Care Systems Inc

Kay Van Norman, M.S.
President, Seniors Unlimited

Kevin Steele, Ph.D.
Vice President/
Health Services/Corporate Accounts
24 Hour Fitness Clubs

Sandy Coffman,
President
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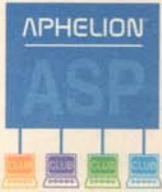
Terry Fay, B.A.
Director of Resident Programs
Senior Lifestyle Corporation

Terry Ferebee Eckmann, M.S.
Faculty Minot State University
Human Performance Department
Co-Owner, Fitness First.

William J. Evans, Ph.D.
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Aphelion brings the back office into the 21st century.

Aphelion's ASP works with your back office services such as payroll, accounting and tax filing. Plus, the clubs' billings and collections will be streamlined, improving cash performance and reducing costs.

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Aphelion's ASP makes it easy for members to connect to your club through the Internet from their office, home, etc. They can make payments on-line, view account balances, make reservations, schedule workouts, and join additional classes. Members feel in charge of their accounts and at the same time it frees your employees from handling those time-consuming routine tasks.

Managing your own data?

While our system provides the highest data integrity and availability, you may be more secure using your own data center and staff. For you, we offer software products that work with your local data center.

Or, if you prefer to do business the traditional way, you'll want our V-3 Fitness Management desktop software. Aphelion software is the most popular in the world. It works right out of the box. No bugs. No worries. Just smiles. You can download a demo version and try it from our website at www.aphelion.net. It's very affordable.

The best training and tech support in the business.

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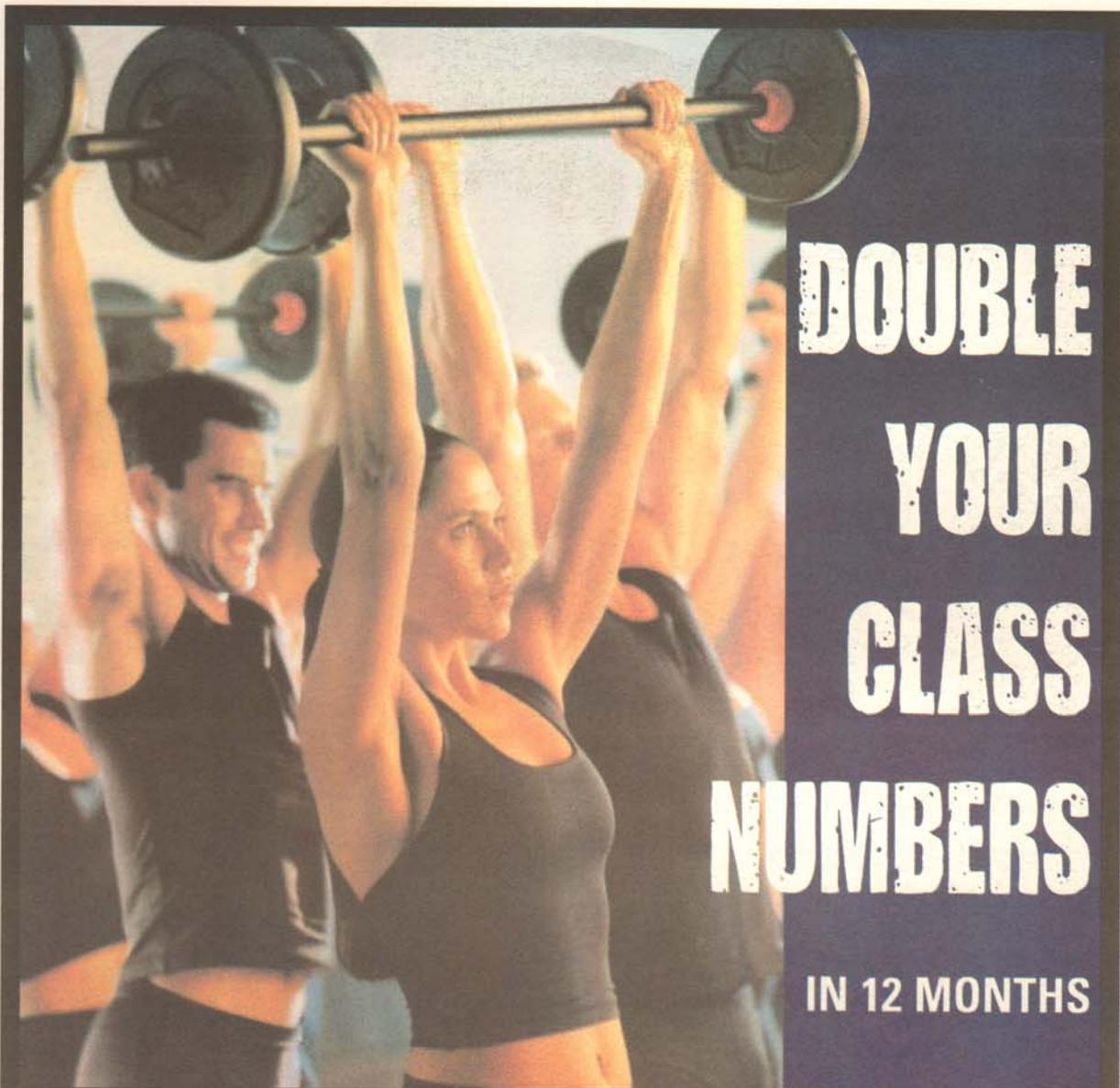
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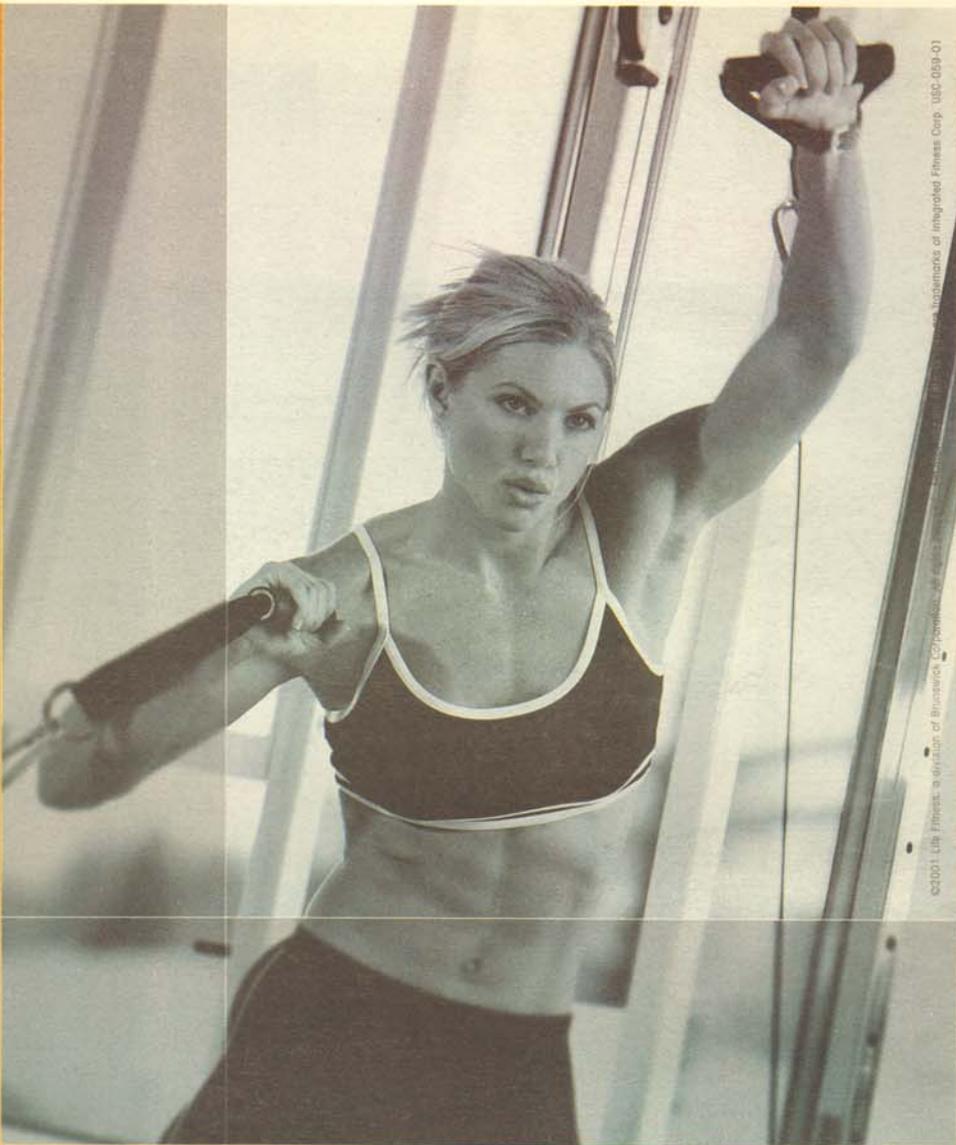
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