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THE Club Insider

NEWS

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

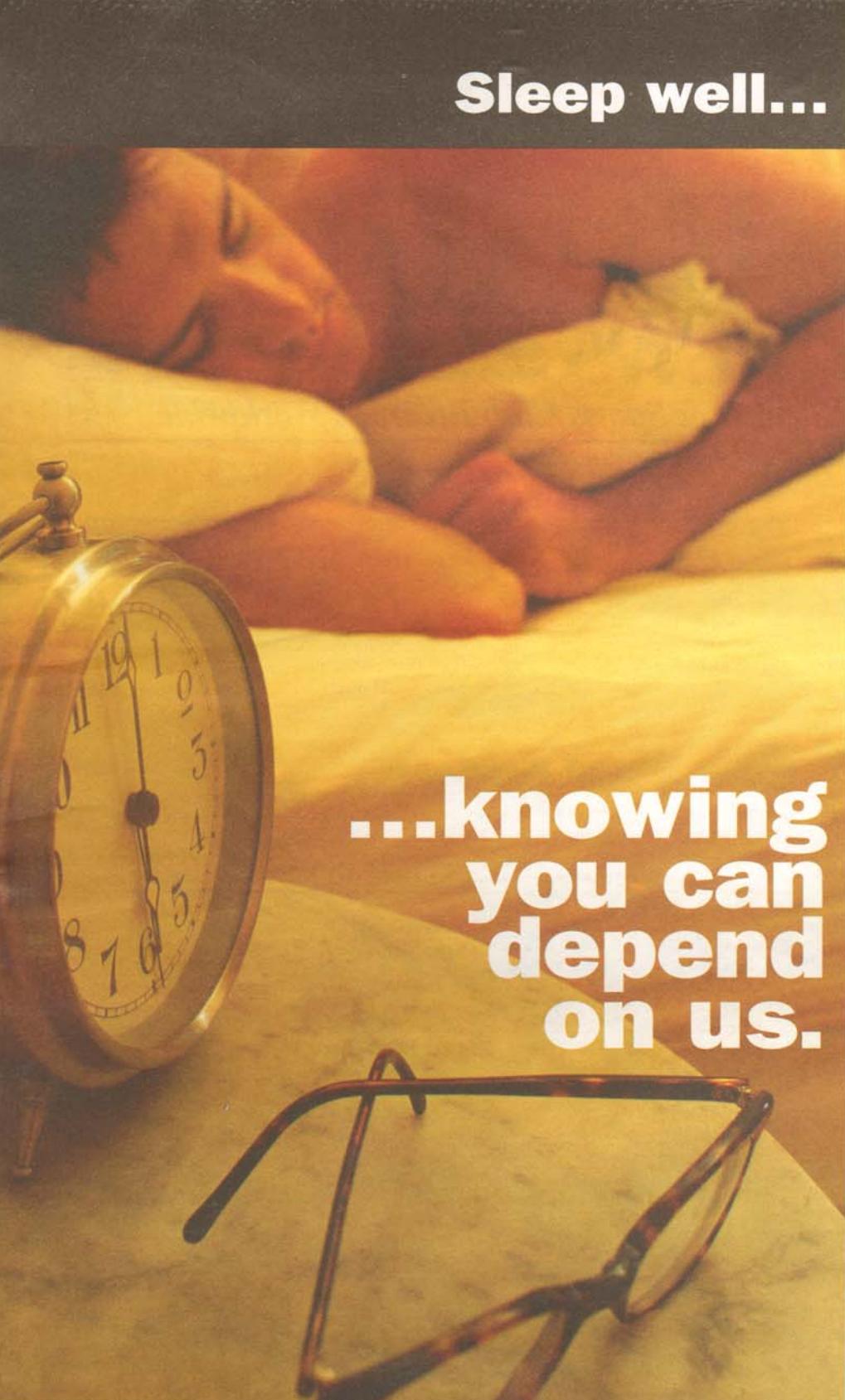
SEPTEMBER 2003
VOLUME 10 NUMBER 9



The "Healthy Exercise" Team - Temecula, California

(L to R) Guy Bridges, Ray Wilson, Ann Boyd & Candice Gonzales

Ray Wilson Blasting "Healthy Exercise" Into 21st Century!



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Norm Cates' THE Club Insider NEWS

Ray Wilson Is Blasting Into the 21st Century With The Goal of 10,000 Health Clubs!

By Norm Cates, Jr.

Ray Wilson is blasting into the 21st century with the goal of 10,000 new health clubs! He must be crazy, you say? Yeah, I say, crazy like a fox. Read on.

Wilson is in the early stages of creating two new nationwide club chains, Ray Wilson's Healthy Exercise For Men and Women and Figure Magic Express For Women, both targeted at specific U.S. market niches that Wilson has identified as still untapped. His Healthy Exercise chain will consist of small, 1400 to 2400 sq.ft. facilities targeted to what I now call the "Intimidated De-conditioned" market, the 61% of the U.S.

population that has been described by the Surgeon General as being either obese or overweight. The "Intimidated De-conditioned" market represents approximately 170 million people. Wilson's Healthy Exercise will also seek to bring back many of that vast number of former health club members in the U.S. who are not members now. He estimates the "former member number" in the U.S. to be at least 40 million people. Wilson believes that after these intimidated people work out in the small clubs, many of them will then gain the fitness (and confidence) to want to join a large "hard body club." A "hard body club" is the term Wilson

now uses to describe all of the clubs he has built in his career and that many major operators of fitness clubs are building today.

Ray Wilson has spent 53 years figuring out how to make money in the health club business. And, he has made a ton of it. But, more importantly, the people who have been Wilson's partners have experienced great financial success. His secret? He structures all of his companies so that his partners share heavily in the profit and they are also given the responsibility and the freedom to run the show, so to speak. One of Wilson's greatest talents is his ability to identify, recruit and work with the health club industry talent whom he

seeks out. His greatest talent is motivating those people to succeed.

Take, for example, Ray's newest business associate, Steve Trapilo, a former Boston College football player and teammate of Doug Flutie. Steve is the football player who immediately after the "Immaculate Reception" that ended that famous game, lifted Doug Flutie up in the air during the post-game celebration of the Boston College last minute victory over the defending National Champions Miami Hurricanes. Steve went on to play pro football for eight years and earned some good money. His long-time friend Jimmy Hart, had been an employee of Family

Fitness Centers in San Diego. When Family Fitness Centers was sold to 24 Hour Fitness, Jimmy returned to Boston. Steve and Jimmy then became partners. Ray Wilson is very impressed with Steve and Jimmy's four large Boston area 21st Century Family Fitness Centers. Ray intends to make the Boston area the first example of how profitable his "sixth phase" small satellite club operation can be. Ray is going to be partners with Steve and Jimmy in at least ten Ray Wilson Healthy Exercise clubs in the Boston area. Wilson is buying 20% of Steve and Jimmy's new company. Steve and Jimmy's partners will also become Ray's partner to

(See Ray Wilson Page 6)

By: Norm Cates, Jr.

Part III

In this segment of the History of the Health Club Industry - Part III, I have published comments from several health club veterans and leaders from across America.

Red Lerille - Red Lerille's Health and Racquet Club in Lafayette, Louisiana, in case you don't know him, will begin its 41st year of continuous

operation on January 13, 2004! Red was Mr. America in 1962 and opened his 3,500 square foot health club on January 13, 1963. Red rented space with \$250 per month he borrowed from his Dad and converted rented space (that was formerly a boot shop) into his health club. He built his own equipment and worked in his club everyday. 40+ years later he still does. "Red's", as his amazing club is called, is now 180,000+ square feet and is situated on 20 acres. He has approximately 12% of the 100,000 population of

Lafayette, La. as club members. In my opinion, Red Lerille is the greatest single club operator in the history of the health club industry. Red is up everyday of the year at 4 am and opens his club for his members with whom he works out before dawn. When I visited Red's about 9 years ago, by 5 a.m. the club parking lot had 200 cars in it and the club was buzzing. After Red works out he usually goes to the airport to fly one of his vintage antique airplanes that he has personally restored to brand new condition.

Not only does Red collect antique airplanes, he has a collection of Harley Davidson motorcycles and two Lamborghinis! Red Lerille is a terrific guy to work for as evidenced by his employee's loyalty. He has two employees that have been with him for close to 40 years, Buddy Lebas and Garland Barras, and 6 or 7 other employees who have over 25 years working at Red's! Red is a terrific speaker and shares his strong personal passion for fitness with people at Rotary

clubs and other civic meetings. And, Red has passed this passion on to his members.

Red's Responses on major industry developments:

"The first thing, of course, were barbells and dumbbells. They were it for years and years. I'll never forget the first time I walked into Joe Gold's first gym in New Orleans. I was amazed at all the barbells and dumbbells he had with a couple

(See Club History Page 20)

Kenneth Melby Honored By National Fitness Trade Journal

Positive Attitudes, Employee Loyalty and Enthusiasm for Fitness Equal Landmark Success!

By: Scott D. Jones

Each year, one member of the fitness industry is honored with the N.F.T.J. Lifetime Achievement Award. Since 1994,

individuals have been singled out for their contributions to the industry in many different areas. However, one thing remains consistent with each recipient - the vision, dedicated and contributions each recipient has

made to the industry are substantial and have helped make our industry what it is today. This year's recipient, Ken Melby, is certainly worthy of joining this elite group of individuals.

For more than 45 years, Ken Melby has watched the fitness industry. From the early days, when fitness didn't play such an important role in people's lives as it does today, he has been on the frontlines of each industry trend and market shift.

Coming from a traditional family, Melby went to work at a local power company

for 10 years before connecting with his high school friend and industry pioneer Ray Wilson. It was the late 1950s and the fitness industry was in its infancy. But the pair's involvement with Silhouette Health Club in Indiana quickly grew to include three new clubs in Ohio. And from there, the business continued to build.

It was through his involvement with clubs in Ohio that Melby met his future business partner Ron Henigarn, (1998 Lifetime Achievement Award Winner). The two formed



Kenneth Melby

a strong working relationship that included literally hundreds

(See Ken Melby Page 8)

Inside The Insider

- Closing Your Club
- Midwest Regional Club Owners Meeting Held
- The "Insider Speaks"
- Small is GREAT!

The "Insider Speaks"

By: Norm Cates, Jr.

Today is September 11, 2003. I am on a plane flying to Las Vegas, Nevada where I will attend the 2003 National Fitness Trade Journal Conference and Trade Show, hosted for 22 years running by Wally and Meschelle Boyko. I have two topics here that I think might be of interest to you.

They are: 1) Club closings and 2) health club self-regulation vs. government mandated regulation.

1. **Club closing.** On club closing we have an article written by Julia Wheatley, the former 9-year owner of The Women's Club in Harrisburg, Virginia. Julia agreed to share with you her tough experience of having to close her club she loved and her article appears on page 10. The truth is, and we all know it, club closings do happen in our industry. We tackle the tough issues of our industry in this publication and Julia's article is intended to help those of you out there that may be contemplating this tough decision. So, my thanks and appreciation to Julia for the love and passion she put into her club business for 9 years and for the strength it took for her to share her experience with you. I stated in the Publisher's Note at the beginning of Julia's article that

she is passing on to our industry very valuable experience. If you have given this tough challenge of possibly closing your club any consideration, I urge you to pause long enough to start your planning process now, because there are things you can do early on that will help you immensely should you actually have to close.

2. **"Self-regulation vs Government Regulation"** - In this edition you will also see a report on the August 14, 2003 meeting held in Cincinnati, Ohio amongst club owners from Ohio and Kentucky. I had called for this meeting in my June edition when we reported on trouble that has been brewing for several years between the primary operator of Gold's Gyms in the area, Royce Pulliam, and many of his competitors. I had originally called for the Peace Treaty meeting for two objectives: 1) to attempt to reduce and ultimately eliminate the nastiness that had been going on in that region and 2) to establish "Standards for Competition" to be agreed to and adhered to by the club owners in the region.

About a week after publication of the June edition of The *Club Insider* News, I was informed by Joe Moore, owner of 9 Moore's Fitness Centers in Ohio and Kentucky, that he had filed suit against Pulliam's Gold's

Gyms for numerous alleged misdeeds. In our July edition we published a Cover Story on the lawsuit summarizing the complaint. That apparently upset Mr. Pulliam as his Attorney, Darby Turner, subsequently informed me that Pulliam was withdrawing his commitment to attend the Peace Treaty meeting. I traveled to Ohio anyway and facilitated the August 14th meeting. It was a success. (Check out the article on page #16.)

A Free Look Into The "Crystal Ball"

My call for this region to develop and adopt "Standards for Competition" apparently was not a bad idea because yesterday the Atlanta Journal-Constitution published a report in its Business section about wireless phone service providers making a move on September 9th that was intended to protect their industry nationwide and to respond to proposed government regulation. The move was an announcement of a 10-point code to better inform customers about policies on rates, service, marketing and privacy. The guidelines, which have been embraced by major providers such as Sprint PCS and Cingular, promise that the companies will fully disclose rates and service policies in ads, respond quickly to questions and complaints, protect customers' privacy and adopt similar consumer friendly policies.

Providers that adopt the code will receive a seal of approval from the Cellular Telecommunication and Internet Association, an industry group founded in 1984.

This effort to professionalize the cellular industry can and should have a minimum of two positive results: the cellular industry is making moves to regulate itself, therefore supporting the argument that the government should not. According to the Yankee Group research firm there are 140 million wireless customers nationwide. And, the move to clean up its industry's act should be a start upon which that industry may build with respect to management of their customer relations.

This announcement is an attempt by the CTIA

organization to play "catch-up." But, these events in the wireless industry provide the health club industry with a free look into the "crystal ball." By that I mean, by studying other industries and keeping up with what they are doing, we can "go to school" and perhaps avoid some of the pitfalls that they may have experienced.

The AJC article also stated that next week the California Public Utilities Commission is to vote on a "Telecommunications Bill of Rights" applying to all phone services, not just wireless providers. CTIA's 10-point "promise to consumers list" is quite general in nature compared to California's Telecom Bill of Rights. For example, the California Public Utilities Commission is calling for a 30-day trial period for new service, rather than CTIA's 14-day period.

And, what would an industry be without Federal Government Regulation? The AJC article also stated that The Federal Communication Commission has ruled that customers may take their cell number with them when they switch carriers and has given the wireless industry until November to comply.

According to the AJC article, Rudy Baca, a wireless analyst with Precursor Group, an investment research firm, commented, "The wireless industry is finally awakened to the fact they will be regulated."

He added, "The new guidelines are more than a day late and more than a dollar short. Poor wireless service created momentum for regulation. I think the whole goal is to focus on the consumer because that is where the wireless industry is sorely lacking." CTIA President, Tom Wheeler said, "The push for voluntary guidelines started a year ago. The industry must look to itself to shoulder new responsibilities. Commenting on the new code guidelines, Wheeler said, "This code is a floor. Competition has already seen some carriers exceed this code."

CTIA argues that the California proposal is burdensome and doesn't allow wireless carriers flexibility. The measure will cost the customer anywhere from \$4 to \$21 more per month, depending on the carrier.

But, California Commission Member, Carl Wood, believes that the estimate is ludicrous and the benefits to the consumer will outweigh the extra cost. For example, says Wood, "What's the cost to a consumer when they sign up for cellphone service, take the phone home and find out it doesn't work where they live. Then, they find they can't cancel the contract for two years because of an early termination fee?"

Now Is The Time For The Health Club Industry To Unite For Self-Regulation!

The truth is the health club industry in North America is unregulated on a national level. The 50 states have a broad range of State Legislated Health Club Laws relative to issues like bonding, terms of contract and cancellation rights, to name a few. But, there has never been a combined group of guidelines to carry the industry into the 21st Century with common standards for all clubs everywhere to operate and abide by. And, there never will be unless the health club industry leaders in America make it happen. To start, I think this industry needs "Standards for Competition" to be developed to protect consumers. Read on.

What Do I Mean By "Standards for Competition"?

What do I mean by "Standards for Competition" for our health club industry? I mean standards that are conceptualized, developed and agreed to for the sole purpose of making the North American consumer happy with his experiences with health clubs. Simple things such as a standard that says club operators will obey State Health Club Laws. Or how about a standard stating that its unacceptable to use "bait and switch" advertising that uses unbelievable offers to lure the consumer into contacting a club and then switching the prospect over to another membership plan, usually claiming that "the offer was limited and we don't have any more of those plans available". Or, how about a nationwide movement by health club operators to limit health club

(See Insider Speaks Page 8)

Norm Cates' **Club Insider** NEWS

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Norm's Notes

• Is 13% of the U.S. population, or 34 million members, the maximum membership penetration potential in the United States? I don't think so and I know of at least two very prominent health club industry people that strongly believe that we can as much as double that figure. Those two people are **RAY WILSON**, arguably the health club industry's most prolific club entrepreneur, and **JOHN McCARTHY**, the Executive Director of IHRSA. If they are right, that gives us the potential for another 34 million health club members in the U.S. to match the 34 million currently on record at commercial clubs, YMCA's and JCC's. A few years ago John McCarthy announced IHRSA's new **100 Million Members by 2010** initiative and the industry has been focused on that goal since then. Ray Wilson has had an amazing 50+ year career in the health club industry and Wilson, now age 75, is back. (Check out the cover article, and photo on pg. 6). But, the guy that is "back" is *not just* the same guy as the "mover and shaker" that formerly roamed the North American and Asian health club landscape. With Wilson's

50+ years of successful experience in the health club industry, he has grown to be more of an innovator than ever. In fact, Wilson is a very serious student of the health club industry and he has been studying hard during his couple of years of semi-retirement. His two new club initiatives covered in this issue are **designed and intended to help hundreds of current clubs owners across the country to rally into one major thrust to sign up millions and millions of new members** and to ultimately help make John McCarthy's and IHRSA's vision of 100 million members or more worldwide come true. **STAY TUNED!**

• **Lawsuit Update-JOE MOORE** is the Plaintiff in the **Moore's Fitness World vs Gold's Gyms et al.**, **ROYCE PULLIAM'S** Gold's organization. If you are a subscriber, you have seen all of our coverage on the nasty events in the states of Ohio and Kentucky that have led to this lawsuit. Moore informed me that the hearing scheduled for September 11, 2003, was held, but not completed. **JUDGE FLANNERY** heard arguments

from both sides in the hearing and adjourned the Court until late September. **STAY TUNED!**

• I had planned to publish a summary of the book entitled: **"Sleeping With The Devil"** in Part III of the **History of the Health Club Industry** in this issue, but I've run out of space. The book is about a man named **RICHARD MINNS**, a/k/a **DICK MINNS**, who was a major health club player in Houston, Texas in the early 1980s. The story is about his torrid love affair with a beauty queen named **BARBARA PIOTROSKI**, a 22-year old woman he met while snow skiing in Colorado. The book focuses on the attempted murder of Piotroski and the now 20+ year investigation into that attempted murder that followed. Without giving you the complete summary, suffice it to say that Minns is now living somewhere on **Planet Earth**, but has not been seen in the U.S. for over 20-years. **STAY TUNED** as I will publish the summary of this extremely amazing book next month in our October, 2003 edition. If you are not a paid subscriber, please subscribe today because you will want to read this book report!

• **10 YEARS and COUNTING!** Next month's **October, 2003** edition, will complete the **10th year of publication of The CLUB INSIDER News**! And, while we will celebrate a little in Chicago at the **CLUB INDUSTRY Conference and Trade Show, October 8th thru 11th**, I am saving my **BIG CELEBRATION** for Las Vegas, Nevada at IHRSA's **23rd Annual Convention and Trade Show, March 22-25th, 2004**. BE THERE

is all I can say to you about both the Club Industry Convention and Trade Show and IHRSA's **23rd Annual event**! For information on attending or exhibiting at Club Industry go to: www.clubindustry.com and for information about the IHRSA Las Vegas Convention and Trade Show or joining IHRSA call: 800.228.4772. I will announce the time and place for our **10th Anniversary Party** in a future edition. Make plans to join us!

• Speaking above of subscriptions, I am constantly contacted by readers who are not subscribers, but who write or say to me, "I haven't gotten my **CLUB INSIDER News** for a

couple of months." Generally, unless you did not renew your subscription, that is because you are **NOT A SUBSCRIBER**! The confusion is caused because each month I send free promotional copies of The **CLUB INSIDER News** all across the country to provide better results for my advertisers and to promote the publication in general. So, if you really **WANT TO** receive The **CLUB INSIDER News** every month **you should subscribe** by completing the form on this page and mailing it or faxing it to us. Be sure to include your payment of **\$99 for 18 months or \$79 for 1 year**. You will be **GLAD** you did!



Norm Cates, Jr.

the man who turned the giant **Bally Total Fitness** around as its **Chairman, CEO and President**, has been named to **HealthSouth's Board of Directors**. That's good news because **HealthSouth** has been on real tough times and could use the fresh, bright perspective of Lee Hillman. Hillman also serves on the **Advisory Councils** of both the **University of Chicago** and **Northwestern University** graduate schools of business. In 2001, Hillman was honored by the **Anti-Defamation League** with its **highest award, The Torch of Liberty Award**.

• **FRED TUROK** will be honored in the **United Kingdom** as **IHRSA's European Club Operator of the Year**! The Award is sponsored by **Technogym** and will be presented to Turok at **IHRSA's 3rd Annual European Congress** at the London Hilton, October 3rd. Turok founded L.A. Fitness (not the U.S. club group) in 1996 with 4 locations and now has 68 facilities serving 140,000 members in England, Ireland and Spain. From 1998 to 2002 L.A. Fitness revenues increased from **\$8 million annually to \$47 million**! Congratulations to Fred Turok and his organization.

• The **"900 Pound Gorilla"** of the health club industry, **BAHRAM AKRADI'S Life Time Fitness**, has announced that it is scheduled to break ground on its 32nd facility in Garland, Texas on September 18. The company already has one of the 110,000 sq.ft. monsters scheduled to open in Plano, Texas on November 7th, 2003.

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...Ray Wilson

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broker fitness equipment and franchise sales in the New England states and Florida. Wilson's overall plan involves the sale of franchises and doing joint ventures of small satellite clubs around large existing clubs. When they cannot make a deal with existing large clubs, they intend to open independent small "Healthy Exercise" clubs.

Curves, Slender Lady, Healthworks and Lady of America, to name a few, are some of the women's-only clubs mentioned in IHRSA's CBI Magazine September 2003 edition. The article, entitled: "Pumping Up Shapes 30", is about Carlos and Christian Babini, owners of two World's Gyms in Rochester and Shelby Township, Michigan. The article is about the Babini brother's January, 2003 launch of Shapes 30 Circuit Training and Weight Loss described by CBI Magazine as "the newest, and one of the most ambitious, women-only franchising products: the Shapes

30 Circuit Training and Weight Loss Studio." (To subscribe to CBI Magazine and join IHRSA, call 1.800.228.4772.)

This Is A Mission That Seems Impossible...
But, Is It? Probably Not, Because This Is Ray Wilson

Curves now has over 6500 franchises worldwide and Shapes is just launching its chain in Michigan. And, Ray Wilson is preparing to blast off, at age 75, on a mission that seems impossible... 10,000 new clubs! But, is it? Probably not, because this is Ray Wilson.

What does this say? It may say that the health club industry is in the beginning of another industry sea change... this one to small, community-clubs targeted to the "Intimidated De-conditioned Market", the vast, deep and untapped market of individuals who have not tried, or have tried without satisfaction, to be involved as a member of a health club. Wilson estimates that of the 250 million U.S. citizens that are not now health club members, 40 million or more of

them have been health club members at some point in their lives, but they just could not adopt to our "hard-body" health club model and just gave up. Unfortunately, that group consists almost entirely of unhappy campers, people who had joined a club at some point in time and had not gotten the results they wanted or worse, had their club close, leaving them with a bitter feeling toward all health clubs. Also included in that huge 250 million number is the other vast untapped market segment, the women's-only market. Wilson is going after that market too with the new Figure Magic Express for Women chain.

Ray Wilson contacted me recently and asked if I would publish a letter he has written to the industry. This is huge health club industry news and Ray's letter is on the next page #7. You will also see Wilson's ads announcing Ray Wilson's Healthy Exercise and Figure Magic For Women in this issue.

I am writing this while waiting for my flight back to Atlanta as I actually came to San Diego so I could see and workout

in Ray Wilson's first Healthy Exercise For Men and Women facility, located in Temecula, California about an hour north of San Diego. I can tell you first hand because I

have worked out there, that what Ray Wilson has created is a concept whose time has come. The facility is small, 2400 sq.ft., bright and airy and offers the perfect 30 minute "Healthy Exercise" workout. I predict the "Healthy Exercise" workout will one day play a major role in the industry across North America. If you've heard the term "getting in on the ground floor" then I will only say to you, this is it. If you might be interested in a franchise or a joint venture with Ray Wilson, you have nothing to lose by contacting his organization to investigate the possibilities of teaming up with Ray as a

**Ray Wilson Age 75**

franchisee or a joint venture partner. Read Ray Wilson's letter on the opposite page #7 to learn more.

(Norm Cates, Jr. is the Publisher of The **CLUB INSIDER** News and a 30-year veteran of the health, racquet and sportsclub industry. Cates was the 1st President and a Co-founder of IHRSA in 1980/81. In March, 2001, Cates was honored by IHRSA with its DALE DIBBLE Distinguished Service Award. He may be reached by calling: 770.850.8506 or by email at: clubinsidernews@mindspring.com)

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September 19, 2003

Dear Health Club Industry,

I am convinced that my Ray Wilson's Healthy Exercise For Men and Women and Figure Magic Express for Women have more potential than any of the previous "phases" I've created in the fitness industry. Since I sold my 72-location Family Fitness Centers chain to 24 Hour Fitness 8 years ago, and for 43 years prior to that, I've been studying the health club industry in North America. And, I've now come to a clear conclusion: that is that the current model of big, massively equipped fitness centers and health clubs appeal very well to the "hard body" market group of 18 to 34 year olds, but those same terrific facilities we've all built scare and intimidate the average American. In short, it is my conclusion that if we wish to attract the bulk of this vast 250 million people in America who are not currently health club members, we must give them a new club product that removes the intimidation and fear factor of being in a room full of "hard bodies" while all they want to do is lose some weight, tone up, feel better and protect their health. In other words, I now strongly believe that we've overdone the current health club model and in order to really move forward in terms of new health club memberships in North America, we need to rethink the club products we are offering the American consumer. Not only are these great big, heavily equipped health clubs scaring off millions of prospective members, they are far too expensive for fast expansion.

Throughout my 53-year career in the health club industry I have always changed directions when necessary to lead the industry. Change is good or you become stagnant. I am again leading change here and now. Listed below are the various phases in my 53-year career. By studying the history of the health club industry you will be better able to visualize the future that I am describing here.

In 53 Years I've Enjoyed Five Health Club Career Phases So Far..... Now Comes # 6

Phase I- My American Health Silhouette- 50+ years ago we "blasted" this first phase into the industry with 250 clubs and engaged in a full scale "Spa War" with Vic Tanny who operated 150 clubs. While this war was negative in many ways, it actually launched the entire industry as we know it today and began an era of massive health club industry growth that has now reached over 20,000 clubs in North America.

Phase II- My European Health Spas- We again "blasted", (which is my word to describe "using huge momentum"), onto the scene, building 160 European Health Spas across America beginning in 1960. In 1970, my 47 partners including Bob Rice and Ken Melby and I sold European Health Spas for \$46 million to U.S. Industries (\$200 million in today's dollars), and we took a five-year management and earn-out contract and then U.S. Industries took over after that.

Phase III-My LifeCycle Phase- By the time I got involved in the Life Cycle, (late 1970's) nobody believed in it because it had failed three times. Several of my early allies in this effort gave up on it as well. Finally, I teamed up with Augie Nieto and Augie and I "blasted" Lifecycle and cardiovascular exercise into the health club industry forever. After selling Lifecycle to LifeFitness, I remained as a consultant with them for 5 years.

Phase IV- My Family Fitness Centers- In this phase I teamed with Murielle Payeur and Ron Thompson (and later Packy and Perry Wilson, Ival McMain, Charles Tartella and others) to "blast" into the health club industry monthly dues, LifeCycle, aerobics and mass use of equipment (pure exercise). We were targeting the 18 to 34 market, and we achieved huge success with our 72-club California Fitness Centers chain in Southern California, Nevada and Colorado. In 1995 we sold my Family Fitness Center chain to 24 Hour Fitness in a transaction involving \$95 million.

Phase V- Ray Wilson's California Fitness Centers in Asia- In this phase I partnered with Eric Levine and Ival McMain to "blast" fitness into Asia. We invested \$11 million and just five years later sold for \$41 million. We advanced the fitness industry hugely in Asia. After selling our clubs in Asia, I began a chain of California Fitness Centers in Columbus, Ohio in partnership with Greg Rowe. We are working on our seventh large club in Columbus to tie up the hard body market there and then we will work on my new small clubs to also tie up the "Intimidated De-conditioned" market in Columbus (and perhaps the rest of Ohio).

Phase VI- Ray Wilson's Healthy Exercise for Men and Women and Figure Magic Express for Women- I have done the hard part and now I have the plan ready for execution. We are now seeking established club owner/operators to become involved as joint ventures or franchisees. I intend to be the catalyst that causes over 10,000 "Healthy Exercise" clubs to open throughout the world. These small 1,400 sq.ft. to 2,400 sq.ft. regimented 30-minute workout clubs are designed to serve the neglected "Intimidated-de-conditioned" market. Importantly, and don't miss this, I believe that the "hard body" market will also grow and prosper even more as a result of my Healthy Exercise clubs. When the masses become more fit and less intimidated many of them will summon the courage to take the next step which will be to join and use a bigger club where most of the members look great. This will result in new membership sales, upgrades and a huge number of buddy referrals. I strongly believe that it is now time to finally concentrate on this huge mass 80% market who have been crying out for "healthy exercise", but have stayed away from or dropped out of "hard body" clubs because of the "intimidation/fear factor".

The launch of my "Healthy Exercise" clubs is an idea whose time has come and I am going to make it happen. There is now a huge public awareness of the obesity epidemic because of the efforts of the U.S. Surgeon General's office in the war on obesity. The press associated with the disease of obesity over the past four years has been monstrous and fast paced.....but it does not appear to be working and I think I know one of the reasons why. The masses still have not gotten over our early years and up to the present when we have tried to make "Hard Bodies" out of every member that joined. It was like trying to send a kid to college that had not even finished the 1st grade. We simply missed the mark. But now we won't any longer. And, once the "intimidated de-conditioned" consuming public realizes there are clubs "especially for them", they will come and they will bring their friends and neighbors.

The fitness industry clearly has two markets: 1) the "Hard Body" market and 2) the "Healthy Exercise" market. The health club industry has done a terrific job of attracting the "Hard Body" market, but at this time, only Curves has had any real impact on this "Healthy Exercise" market and that impact has been only with a small segment of the women's market.

The Healthy Exercise market is made up of:

- the 40 or 50 million people who have quit health clubs (includes the women's-only market);
- the "Intimidated/de-conditioned" market that I estimate, based upon the Surgeon General's figures, to be 170 million or more (also includes the women's-only market)
- seniors

I am inviting all established club owners in America to consider the possibilities of boosting your club's success through the installation of supplemental "Healthy Exercise" clubs and Figure Magic Clubs far enough away from your club so that they do not hurt your primary club's performance, but enhance it. Plus, they will give you a competitive edge in your overall marketplace without requiring you to invest one, two or three million to tap into underserved markets in your area.

In closing, let me explain how our new Healthy Exercise club works. We provide a regimented one half hour workout for people who want to workout, but can't fit in the time for the typical 1.5 to 2.0 hour workout they think is required to get results at a larger club. Also, we locate within 10 minutes of the members' residence. That is the key to it and we are experiencing terrific results at our Beta-test site in Temecula, California where we have been in operation for 9 months now and are averaging 80 new memberships per month in a 2,400 sq.ft. facility. (With an ultimate goal of 120 new memberships per month.) We are now opening in Poway and Vista, California, as further test sites. We are doing our first several small satellite clubs around large existing clubs in the Boston area with the Steve Trapilo group.

And, I can personally tell you....the 30-minute "Healthy Exercise" workout is really terrific. I have not enjoyed this great a cardio workout since I started LifeCycle. But, the beauty of it is that it also includes strength training and it is all done in just 30 minutes.

I believe that Ray Wilson's Healthy Exercise For Men and Women and Figure Magic Express For Women will be the greatest "phase" of my career and will become the greatest success in the history of the health club industry as I create the momentum I accomplished for my other "phases" in the past. I invite you to join me as a franchisee or joint venture partner. I hope that many of you will investigate this great opportunity and that I can become part of your organization. As many people in the health club industry know, I have helped make dozens and dozens of my partners and associates very wealthy. And, it has been my pleasure to work with all of those dedicated and terrific people. Let's all go after those 250 million American's together! I hope to hear from you soon.

Sincerely,

Ray Wilson

...Insider Speaks

continued from page 4

memberships to 1 year agreements maximum? Or, agreement that Automatic External Defibrillators are necessary equipment for all clubs? Or, how about a standard nationwide "cooling off period" on memberships that has some meat in it, say 7 days or even 10 days? We should also consider a nationwide standard that says all health clubs would be members of their local Better Business Bureau and Chamber of Commerce? These are just some of the many possibilities. I welcome your suggestions sent to: clubinsidernews@mindspring.com

More important than any particular standard is simply that our industry would have

some standards that club owners everywhere can speak to when dealing with consumers and government. At this time we simply do not have any standards in the health club industry. Better to start on it now rather than when the government tells the health club industry what its standards should or will be! Folks, this is like the Fram Air Filter commercials.....in respect to standards, this industry is going to "pay me now or pay me later."

The Right Place At The Right Time

The movement of more niche-oriented new club development with club chains like Curves, Shapes 30, and now Ray Wilson's Healthy Exercise and Women's Figure Magic Express are and will be

multiplying at an amazing rate.

For example, Gary Heavin's Curves For Women chain, targeting women only, has grown now to over 6,500 locations with many more opening every month. It appears that Curves is achieving this amazing club growth rate for two primary reasons: 1) ease of entry and 2) the huge interest in health and fitness in America is bringing wannabe health club entrepreneurs seeking self-employed opportunities out of the woodwork.

The crystal ball is not totally clear yet, but it is beginning to look like there is going to be a club growth tear the likes of which none of us have ever seen in the history of the health club industry. It would not surprise me at all to see the total number of health club businesses double to over 40,000 within 10 years or less. In fact, Ray Wilson flatly states, "I intend to be a major influence on the effort to increase the health club member numbers from the 34 million now in North America to IHRSA's goal of 50 million in the U.S. by 2010. I am starting now with my Ray Wilson's Healthy Exercise clubs and my Women's

Figure Magic clubs, and I predict that we will build 10,000 or more Healthy Exercise and Women's Figure Magic clubs." Check out the article on page #3. Before long greater percentages of those 250 million and mostly inactive non-health club members out there may become involved in a health club and in fitness and health. And, if that membership growth actually happens it will trigger a significant need for the health club industry to be prepared for the onslaught of consumer challenges that those sheer mega numbers will cause. Just ask the wireless people. And, how the health club industry prepares now for the upcoming health club growth years will determine how the industry does.

If the health club industry does not begin to self-regulate soon we could easily find ourselves "behind the power curve" and we could be seeing the same kind of governmental incursions into the health club industry as the wireless industry is experiencing now. That industry is clearly "behind the power curve", but the wireless industry realizes that and they must also believe and realize it is never too late to start.

To sit and wait is to invite government interference with regulations that are imposed by legislators who may not fully understand our industry when those laws are debated and passed. There is an opportunity available right now for our industry to finally begin to demonstrate an understanding of the need and importance of self-regulation.

The question then becomes: "Who will be the leaders for self-regulation in the health club industry? Will it be IHRSA? Or, will it be a new health club association composed of club owners that want their clubs to take a stand and be known for ethical, fair and straight forward dealing with both consumers and competitors ?

(Norm Cates, Jr. is the Publisher and Editor of The **CLUB INSIDER** News. Cates is a 30 year veteran of the health, racquet and sportsclub industry and was the 1st President and a co-founder of IHRSA in 1981. Cates may be reached by calling 770.850.8506. or email: clubinsidernews@mindspring.com)



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...Ken Melby

continued from page 3

of clubs across the country. The two have been partners for more than 30 years. "We work hard, we play hard and take the time to enjoy both," Hemelgarn says of his relationship with Melby. "Ken has done business with three of the other eight Lifetime Achievement Award Winners. He has played a significant role in the growth of this industry."

Although he had no formal business training, Melby operates on a very simple principle - build a team with complementary skills and stay positive. The result, more than 4 decades later, he is operating under 10 different brand names stretching across 20 states, Canada, Puerto Rico and Mexico. Today, Melby's club operations employ an estimated 10,000 people and his business continues to thrive.

Many would attribute his success to his loyalty and commitment to his employees. "Our main criteria in selecting employees is attitude," he says. "If people are willing to work hard and have a positive attitude, then things can happen, good things. A positive attitude cures all

problems, but if you have a negative attitude, you're gone as far as I'm concerned."

At 73, Melby remains an active role model for his employees. Rising at 5:30 for workouts six days a week, this father of eight and grandfather to 18, enjoys his time on the treadmills and elliptical machines before doing regular lifting routines. "I do it because if I'm in good shape, then it helps everyone else."

The industry has changed since Melby first got started. "At first, just 10 to 20 percent of the public was involved or even interested in fitness," he recalls. "but it's not as tough to get people interested anymore." He explained that educational programs presented by various equipment companies, the US government and local groups has increased the awareness for the need to be fit and healthy. "Hey, even President Bush works out every day now - and it shows," he points out.

But public awareness is just part of the story. Melby is a strong proponent of providing exceptional customer service to his customers. That includes always providing the best

equipment available. "The industry is always evolving and you have to stay current. The way gyms have been transformed over the last 40 years is amazing. Every year there's a new innovation or update and we feel it's important to make sure we offer these innovations to our members."

While he's still going strong at an age when most people are enjoying their retirement, Melby admits to thinking about hanging up his workout gear. "I think about retiring a lot. But right now, it's still exciting for me and I enjoy the people that I'm working with. If it ever gets to a point where it's not fun anymore then I'll quit."

Although the fitness industry can be competitive, Melby continues to look toward the positive. "There's easily enough business for everyone if you're willing to pay attention," he says.

(Reprinted courtesy of the National Fitness Trade Journal)

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CLOSING YOUR CLUB

The Who, What, When, Where, Why and How's of the Health Club Industry's Toughest Challenge

By: Julia Wheatley

Publisher's Note and Introduction: You can look far and wide and you won't find anything in the health club industry more sensitive and more difficult to do than having to close your health club. For those of you that are reading this and thinking, "He is writing about me!" Just remember this: It can happen to the best of us. Also, remember that Julia Wheatley, the author of this article, is an award-winning health club operator and popular industry speaker and author. She has demonstrated tremendous dedication to the health club industry by her willingness to share this tough experience with each of you. And, let me close these opening comments by saying that it **does** matter how you go about closing your club if that turns out to be your fate. It matters to you and your family and your members and your employees and to your community. And, it matters to all of you out there that are reading this for every poorly planned and executed health club closing carries with it negative, "black-eye" ramifications for every health club operator in every market. The truth and the fact is, all health club operators will experience damage to their club business when one of their competitors closes and fails to plan and execute the closing professionally.

My thanks to Julia Wheatley for the love and care she gave all of her members from start to finish, for her dedication to our wonderful industry and for her courage to share and teach all of us about the toughest phase of any health club's life....the closing phase. In the health club business there are very few club operations in the world that are fully and completely insulated from the potential of closing at some point in time, so I would encourage anybody that is in the club business to: 1) read Julia's comments here and 2) send an email message of congratulations to Julia Wheatley (at: jrwheatley@aol.com) for the excellence that she demonstrated in doing the toughest job of them all....closing the club that she so dearly loved. Julia's article was constructed from a list of

questions I had provided her and she has used those questions for the paragraph headings throughout the article. We hope you gain the wisdom and information that will be necessary if you ever have to do what Julia had to do.

Q. Why did you decide to get involved in the health club business and become a health club owner?

A. I bought the Women's Fitness due to my own personal passion for the power of exercise. I knew how a regimen of physical activity had changed my own life positively, and I wanted to have the same impact upon others. I liked the smaller club and the fact that it was women's only. I know many females who will not step foot into a coed facility based on perceptions alone.

I think many people get into the business and club ownership for the same personal reasons and beliefs that I did. However, an initial word of caution here is that you must first and foremost view your club as a BUSINESS. Sound operating principles must override all emotional feelings.

Wow! Nine years went by quickly, and I had an amazing journey as a club owner. To summarize my start, I actually never planned to own a health club. I joined Women's Fitness as a member because I was experiencing health issues and my doctor recommended it. I could barely ride five minutes on the upright bike, but I persevered and gained stamina and confidence along the way. I became an instructor at the club but still never imagined owning it. The previous owners contacted me to see if I'd be interested in buying. I was a bit overwhelmed at the idea, but after thinking about it for awhile, I decided to go for it.

Q. Did anyone assist you when you were a brand new inexperienced club owner?

A. Being completely "green" in this business, I immediately immersed myself in both national and regional trade shows and educational seminars. I hired an industry consultant to guide me, and I was fortunate to hire a veteran club manager to mentor me as well. I knew that certain basic things were blatantly

missing from my facility including a computerized front desk system, treadmills and recumbent bikes, an educated staff, and a consistent marketing strategy with a new logo. I set to work on all of these components.

Q. Describe your club?

A. My club was 5,250 square feet in size and included the front desk, a cardiovascular equipment area, strength circuit, aerobics floor, locker room with showers, tanning bed, office and originally a child care room. After several years in business, I closed the child care facility based upon financial considerations.

Signage, a very important part of marketing was poor. I initially had only a large lighted sign attached to the front of our building. I encouraged my landlord to add a sign at the corner of our property to increase visibility and he did that for me. I also rented a roadside sign, and I know from tracking sales leads over the years that sign paid for itself!

For my "opening day," I used a variety of marketing mediums including local television commercial spots, newspaper ads and an "amnesty" mailing to former member.

My club membership numbers fluctuated greatly over the years from 150 at the beginning to as high as 600 and down to between 250 and 350 for the last several years.

Q. Describe the location of your club and your real estate deal?

A. I always considered my club's location as optimal within our small community. My facility was situated in a strip mall directly behind our primary indoor shopping mall and located at the intersection of two main streets by a stop light. I definitely negotiated a favorable lease because the previous owners were losing money and unable to pay on time.

We began with a five-year lease deal. My landlord then approached me in the fourth year and offered two different lease extension options - five or ten year. This is another note of caution: be careful about committing to too long of a lease term. This was a sticking point for me when trying to sell the facility - it has been viewed as a liability in many cases.

Q. Was your capitalization adequate and what would you do differently in that area?

A. Since the business was losing money when my husband and I bought it, we were able to negotiate a good purchase price. We borrowed money from a small hometown bank and also received a kind gift from my father as start-up funding. Over the years, I occasionally had to borrow additional money on a true loan basis, and I did have to utilize several corporate credit cards to subsidize expenses when money got really tight.

I think one of the most common "mistakes" I see club owners make, which I also did myself, is to have a "fire sale" mentality when it comes to advertising. You invest more dollars when your operation is running well, and then you pull back and tighten the advertising reins when the club's finances are more lean. On the surface of things, this approach makes sense - after all, why would you spend money if it's not there? However, if you "disappear" from your marketplace even for a short period of time, this causes the customers in your area to lose "top of the mind awareness" of your facility's existence and offerings. I had my best years financially when I committed to a CONSISTENT campaign and message. I utilized club member testimonials, and these were extremely powerful within my community. In fact, I was able to run this campaign far longer than is traditionally suggested within the principles of marketing. By the end, this campaign definitely lost steam, and I felt hard pressed to replace it creatively.

In terms of capitalization, everyone should realize that running a health club is an extremely expensive undertaking. While it's certainly "fun," most people (including myself in the beginning!) vastly underestimate the cost of doing business. It is vital that you analyze *all* expenses associated with this business to create a model that will work over the long term. These same words of caution apply for every financial decision you make within your club.

Since I purchased my club when it was in a financially tenuous position, I feel I have always had a heightened awareness of making tight



Julia Wheatley

budgetary choices. However, as the cliché goes, "sometimes you have to spend money to make money," and I definitely found this to be the case.

Q. What was your club's primary competition when you purchased it?

A. When I first bought the club, there were three primary facilities in the area: our local hospital's wellness center, a Nautilus center and mine. Over the years, the marketplace changed dramatically. We now have three different colleges and universities, and each built their own large recreation centers (free to staff and students). We also have a myriad of retirement communities in the area, and all constructed their own exercise facilities. In addition, people have built clubs within the outlying communities of our main town, although many of these have closed in the interim. We had a Curves for Women come in, but their hours and facility offerings were very different from ours.

My primary response to competitors, both existing and new, was to keep in mind an analogy from my consultant. Basically, he reminded me that there is "room for many different types of restaurants in the world, and a French restaurant is entirely different from a McDonald's." In other words, I tried to be aware of the competition without panicking over the fact that they existed. I focused on carving my own special niche. I always told my clients that all health clubs exist to try and help them be healthier (See Julia Wheatley Page 22)

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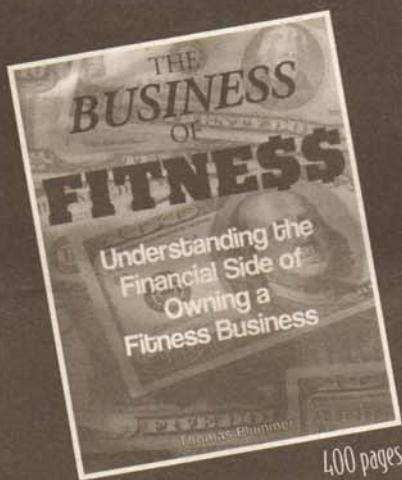
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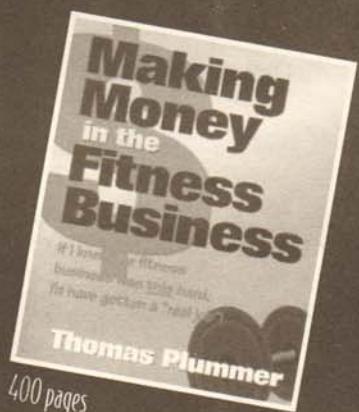
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By: Michael Scott Scudder

**“CAN SMALLS COMPETE
 WITH ‘BIGGER-BOX’
 PLAYERS?”**

It seems as though the rage in our industry these days is “bigger is better.” Just a few years ago, a 20,000 square-foot facility was thought of as “big.” Now, that same size club is at the upper end of the “small club” sector!

We have, disconcertingly, seen many efforts in the past few years at building big-box, low-price gyms...as though that is the answer to every prayer that every potential health club

member could ever have. This writer reminds the reader that the so-called “chain gyms” with footprints of 35,000 square feet and more, with a few exceptions, have not shown much of a record of profitability in recent years. In fact, I know of two separate gym organizations of eight or more “bunched” 35,000-footers that are presently fighting for survival in their markets, having overbuilt and underpriced!

The “small club” sector of the health and fitness industry is still the dominant sector, comprising over 75% of the total number of clubs in the United States. While this type of club may range from rural and 5,000

square feet to suburban/metropolitan and nearly 20,000 square feet (and everything in between), the average club is still in the range of 10,000 square feet, enjoys membership of about 1,100 persons, grosses less than \$1,000,000 annually, and is usually run by an owner-operator who toils his/her buns off 60 or more hours a week. It is to these people that this article is dedicated.

Can you.....compete with bigger clubs? The answer is a resounding “yes”...and following are some ideas to help you compete. But, before that, just so you know that I ain’t totally off my rocker, I’ll throw 3 quick facts at you:

1. Best growth in the business, according to the IHRSA reports for 2002, was in the small club sector.

2. I live in a town (Taos, NM – population 13,000) that supports two 20,000 square footers and two women’s-only studios...all of them making a profit!

3. The 12,000 square-foot club in which I am a partner last year grossed over \$1,400,000 (that’s \$117 annual revenue per square foot, folks!).

First, look at your probable advantages:

• You know your members, most of them by first name.

• They have chosen you over other competitors – for a reason. (Likely it’s familiarity, feeling more comfortable in a more intimate setting, perceiving that they will have someone to directly talk to if they need, etc.)

• You are their gym...not a “member of a club” or one of several thousand indistinct bodies. (By the way, you may not know it, but this gives you almost-automatic permission to enlist them in additional fee-paid services and programs.)

• You can try new things out faster, with less administrative nightmares, at less delivery cost, than can larger competitors.

• Since you are smaller, and thus somewhat specialized, you can charge higher membership fees than the bigs usually do. (I know...you don’t “get” that yet...perhaps by the time I die you will! Our Fort Worth

clubs, none bigger than 17,000 square feet, average 58% higher dues than our surrounding competitors.)

Now, look at the things you can do to compete with, and actually take your fair market share in your club’s marketplace:

• Train your new

members in small groups...get away from the boring “equipment-orientation” syndrome of the bigs. (The key to sustaining membership loyalty in the early years of our modern club business was training people in groups of 4 to 6, introducing them to each other, creating training partnerships that have lasted for years. With the advent of certifications also came the blind-leading-the-blind, one-on-one orientations that have cost our industry millions of members.)

• Since you have to sell

less memberships, create a “consulting sales” mentality in your club. (The prospective member is *not* coming to you to buy a membership...he/she is coming to you for your advice on how best to start a healthy lifestyle program. Counsel them accordingly...if you don’t know how, buy one of the many great software programs now available which can immediately up your professionalism in the sales process and create a distinction for your club which separates you from the rest of your competitors.)

• Start getting smart about personal training. (The average member who takes personal training spends 3 times his/her annual dues, at the best

profit margin your club will enjoy!) Create distinctions in your types of membership, so that fitness-inactives and de-conditioned can participate in personal training from the start. For example, the gym rat is a tour, attempted close, that’s it...initiation fee and monthly dues...you won’t get much more from that one. But the inactive may be a 6-personal-training intro which bundles an additional fee into the Initiation Fee, gets you more money from the start, gets the member off to a real good beginning and paves the way for additional personal training revenues in the future.)

• Create a weight

management program offering.

(This will not only appeal to at least 1/3 of your present membership, but bring in people who never would have come into your club otherwise. If you don’t know how to do it, purchase one of the already existing programs that have been field-tested.)

• Start an *in-house e-*

newsletter, utilizing email to spread all pertinent news of interest to club members. (This will be seen as you being a “modern” club that has done away with paper newsletters, and will become your best, cheapest, fastest and most effective way of marketing.)

For this hypothetical 10,000 square-foot club with 1,100 members, anticipated annual revenue increases from just the above will look something like this:

1. Retention from better member training = + 5% annually (about \$25,000 minimal additional revenue).

2. Consulting sales approach/selling bundled personal training to new members = additional \$20,000 revenue minimum.

3. Emphasis on personal training = \$75,000 minimal additional revenue.

4. Weight management programming = minimally additional \$50,000.

5. In-house e-newsletter = \$10,000 minimal additional net income from expense savings.

Some suggested places to start:

• Small group training: *Strive Smart Strength* equipment.

• Consulting sales: *Visual Fitness Planner* software; *Thomas Plummer* sales course; *Karen Woodard* sales course

• Personal training: *Southwest Club Services* two-day training course.

• Weight management: *Apex Fitness Group* software and programs; *Casey Conrad’s Healthy Inspirations* program.

• In-house e-newsletter: email me and I will provide you with a free step-by-step process to get you started.

I hope the preceding assists you in beginning to envision just what *IS* possible for your small club!!

Until next time –
 MICHAEL SCOTT SCUDDER
 (See Scudder Page 26)

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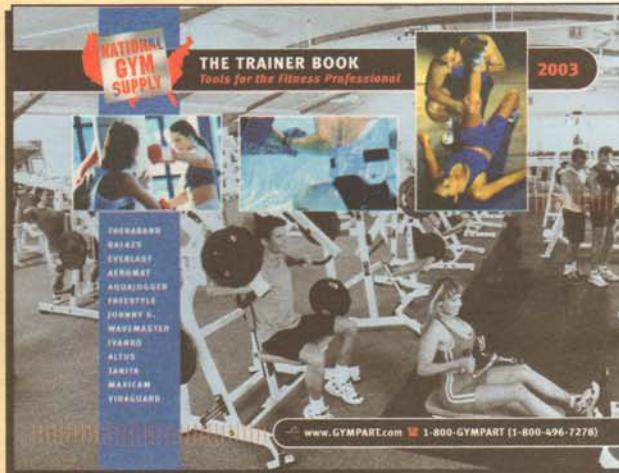
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Midwest Regional Club Owners Meeting Held

By: Norm Cates, Jr.

Cincinnati, OH. - A meeting of a group of 10 club owners, representing ownership of 31 clubs in Ohio and Kentucky, was held at the Cincinnati Sports Club on August 14, 2003. The meeting had been originally called a "Peace Treaty Meeting. I had called for the meeting in my June, 2003 edition in which we published an article making it clear that all of our comments in our May edition about Royce Pulliam and his Gold's Gym organization had included the word alleged before each item. Royce Pulliam had sent a message through his Attorney, Darby Turner, Esq., stating that Pulliam would be in attendance at the

Peace Treaty Meeting. About a week after our June, 2003 edition containing the call for the Peace Treaty Meeting was published, I received a phone call from Joe Moore and he told me he had filed suit against Royce Pulliam's various Gold's Gyms and against Gold's Gym International and Gold's Gym Franchising.

This lawsuit is significant health club industry news so I published a copy of the first page of the lawsuit on the cover of my July, 2003 edition of The *CLUB INSIDER* News. Apparently, this did not sit well with Pulliam because I received a nasty two-page letter from Pulliam's attorney accusing me of everything in the book he could accuse me of. Pulliam's lawyer also informed me that Pulliam

would not be attending the Peace Treaty Meeting on August 14, 2003. So, in my August edition, I responded to Pulliam's attorney's letter, paragraph by paragraph.

I had originally called for this meeting to attempt to bring to a halt the nastiness that had been spewing between Pulliam's Gold's Gyms organization vs. the Midwest Region's health club owners. But, it is hard to make peace when one of the parties refuses to attend.

Had Pulliam attended, he would have seen and heard the following:

1. A discussion amongst all of the owners about the founding of a Midwest Regional club association to serve the clubs in Ohio, Kentucky, Tennessee and West Virginia.

2. A discussion of the concept of this new regional association conceiving, developing and installing "Standards of Competition." "Standards of Competition" can help this entire industry avoid what has been going on in Ohio and Kentucky. (See "Insider Speaks Page 4")

3. A discussion amongst the club owners about the idea of a new regional association adopting a special cause that all of the clubs could get behind and support through

their members. I suggested this as a method for the clubs of the region to combat the negative image that had been spread all across communities in at least the three states of Ohio, Kentucky and West Virginia.

The meeting went very well and after four hours was adjourned at 2:30 P.M. I immediately headed back to Atlanta, Georgia while most of the group stayed for person to person conversation. We will update you on the developments with the Midwest Regional Association, the "Standards of Competition" and the PR developments in the future. You can read about the "Standards of Competition" concept in this issue in my article on page #4, The "Insider Speaks."

The bottom line is this. This group of club owners who were in attendance at the Cincinnati Sports Club are professional club operators who wish to continue their efforts in a professional manner and in a manner that is fair to: 1) the consumers in their region; and 2) all competitors for the consumer's business. Frankly, it is sad that such a peace treaty meeting even needed to be called. But, God works in mysterious ways and maybe we had a little help in that the meeting went so well.

Importantly, and I need

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your help on this....I am, on behalf of the entire health club industry in America, going to lead the way in the development of "Standards of Competition." That is where you come in. I would sincerely appreciate your suggestions and input at: clubinsidernews@mindspring.com And, I will use that input to create these "Standards of Competition." Once I have completed them, I am going to provide these "Standards of Competition" to the health club industry for consideration. I will not slow down on this effort until I am sure we have achieved significant movement toward elevating the professionalism of the entire industry in all the important realm of dealing with consumers in a fair and honest manner.

The Club Insider News Contributing Author Team

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

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• **Michael Scott Scudder** - President - Southwest Club Services (505) 690-5974

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

• **Rick Caro** - President, Management Vision, Inc (212) 987-4300

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• **Pete Moore** - FitnessInsitite email: Pete@FitnessVentureGroup.com

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Norm Cates' *Club Insider* NEWS

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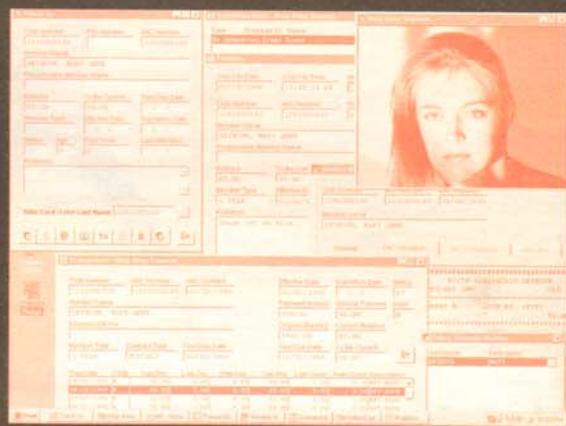
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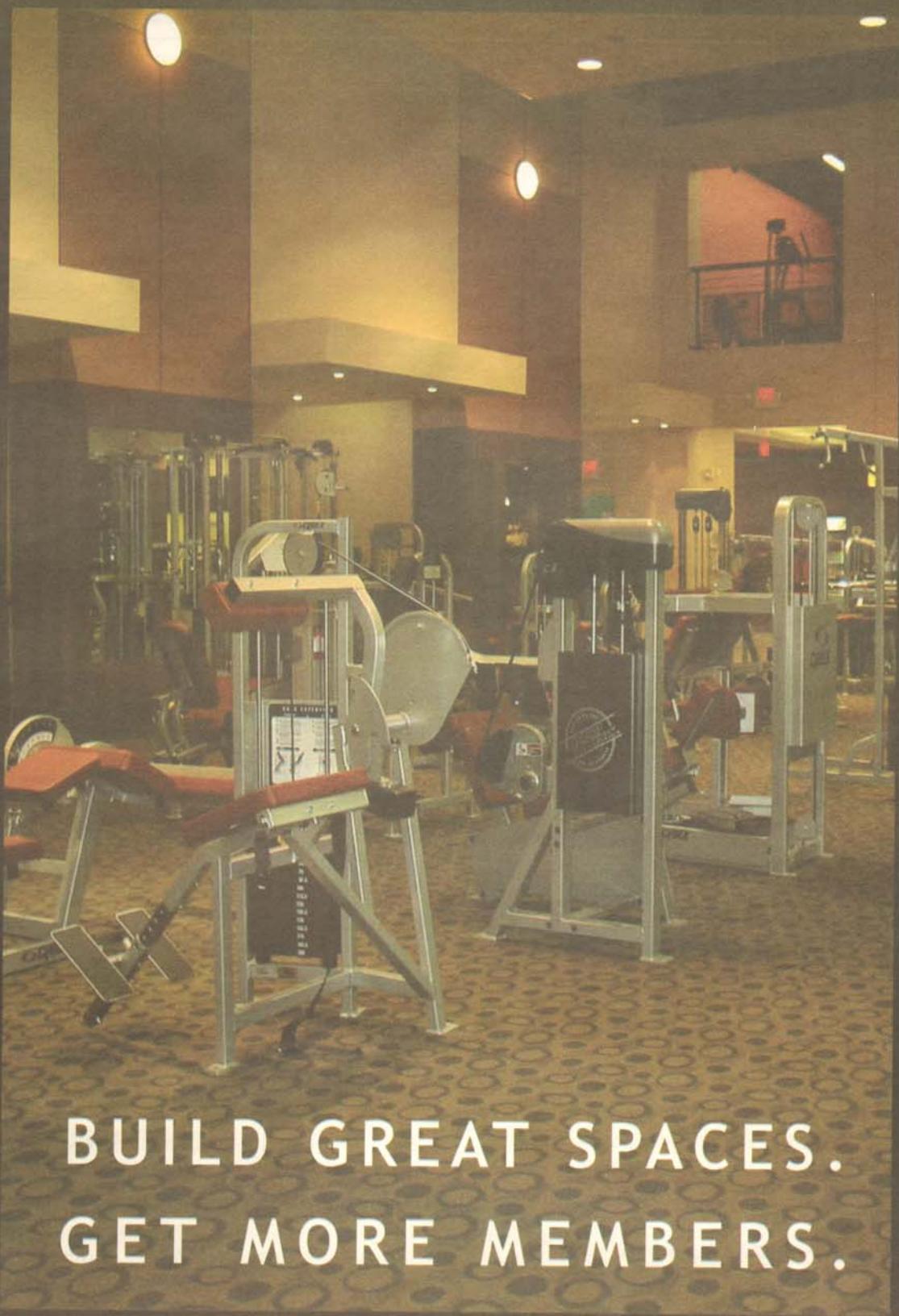


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...Club History

continued from page 3

of benches, squat racks and a couple of pulleys. Then, later on Harold Zinken invented the Universal Gym machine with weight stacks. That was a first, of course. Of course, you had Arthur Jones' invention of Nautilus equipment. Nautilus actually took the selectorized weight stack concept and combined it with cams to vary the resistance. For while you could go to any college or health club and you'd find a Nautilus room. People would call it "Nautilus" even if it had other equipment in it and not Nautilus. I've never heard anybody call it a "Universal Gym" room. For awhile, people would put in a Nautilus room and no free weights. They were afraid of

barbells and dumbbells. They felt they were dangerous. And, if I had to pick the next big thing, it was when people started putting free weights in with Nautilus. For many clubs free weights were new to their clubs, but for many others, free weights had been there since day one. I'd say the next great development was about 25 or 30 years ago when we began to install "aerobic studios", what we now call "group exercise" rooms. Adding group exercise classes surely was a big development in the industry. And, of course cardio equipment of all kinds starting with Lifecycle

Lerille continues about the question: what will it take to increase member numbers? "Well, Red's has 12% of the Lafayette population of 100,000 as members. Plus, there are clubs

all around that have a lot of members. So, Lafayette, Louisiana is way ahead of that 12%. But, let me say this. Numbers of members have nothing to do with how many get into and stay in shape. I think when you look at who is going to join a health club and who's going to get and stay in shape, they are two different people. I've got people that come to Red's and they're not in shape. There is a small part of the population who are in phenomenal shape. Then you have a little segment who are in decent shape. But, then you have a whole bunch who are in horrible shape! They're everywhere Norm! I don't know how we're going to crack that "whole bunch" that makes up that 87%! I don't know how we can educate all of those people and motivate them. The fitness movement actually consists of just a small group of people. The "addicted to exercise" people. People like Ray Wilson, Bob DelMonteque and Rudy Smith (and Red Lerille) are addicted to their own personal fitness and they make it their #1 priority."

Question - Red, what about the greatest challenges facing the club industry? "I am not sure what it is for the entire industry, but I know my greatest challenge is keeping my overhead down. I have a 38-year old building with huge maintenance costs and if you don't keep up with it, man it can get out of control. You let it go just a little and boy it slips up on you fast! Right now, I'm spending \$75,000 on my parking

lot. (800 cars).

I just finished spending \$280,000 on my roof! My yard maintenance guy has been with me for 30 years and he gets \$4,000 per month. So, do you see what I mean? It is just constant Norm. People like me that own their buildings and are in love with their clubs have a tough time making any money due to the overhead costs we deal with."

Lerille continues, "Norm, in your Parts I and II of the History of the Health Club Industry you covered a lot of pioneers including Ray Wilson, Sig Klein and some others. But, let me also mention some of the body building competitors I know that went on to open their own gyms. There was Clarence Ross, Leo Stern who has been in San Diego for 70 years, Sam Luprinza in Portland, who has more equipment per square foot than any club in the world, Bill Pearl who started in Sacramento and then moved to Pasadena, Alvin Roy who had a chain in New Orleans years ago and his sister, Rita Roy, who had a chain in Dallas, Texas. Recently, Joe Gold, Joe Weider, Jack LaLanne and Harold Zinkin were all mentioned in a TV show on weight lifting and early day health clubs. It was also mentioned in that show the first pioneer to ever install air conditioning in health clubs. His name was Ray Wilson. It was a



Red Lerille With Antique Airplane
really interesting show."

Rick Caro - Rick Caro is

a 30+ year club industry veteran and the most respected and most knowledgeable person in the health club industry today. Caro began his career with a chain of indoor tennis clubs in Upstate New York in the early 1970s. Caro is the founder of New York-based Management Vision, a consulting firm, and Club Market Vision, publishers of the Friday Reports (See ad on this page). IHRSA was the brainchild of Rick Caro's and was founded pursuant to his suggestion that the industry bring the National Tennis Association and the National Court Club Association together to form a new Association to serve both tennis and racquetball club owners. Caro is also the #1 expert witness in the industry and is often called upon in that capacity. His other specialty is market research feasibility and valuation studies for club owners who are considering new ventures. Rick's responses:

1. 3 Most Important Developments In History of Club Industry: a. EFT-Based, Monthly-Dues Pricing With A Maximum of a 1-Year Contract

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(See Club History Page 24)

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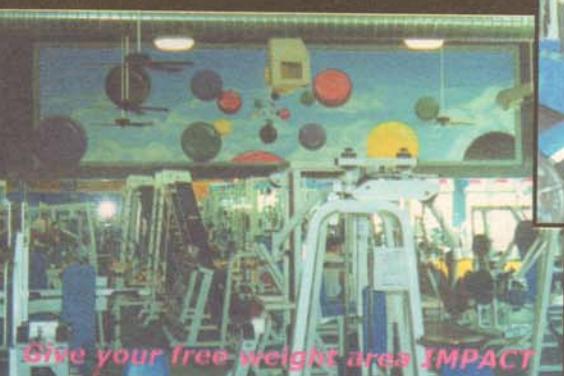


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Al Phillips, Owner of 5 World Gyms, Chicago, IL

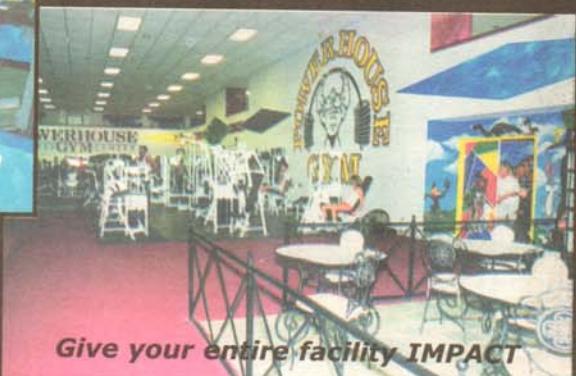
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Wayne Kosbie, Owner of Towne Lake Fitness, Woodstock, GA



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...Julia Wheatley

continued from page 10

people – each place has its own environment and feel, and it's nice to have choices to find the one that fits them best.

Q. What were the strong and weak points of your club?

A. I think the strongest point of my club was our customer service. My staff and I worked diligently to help every client feel comfortable and welcome as if this place was her "home away from home." I also think we provided an enormous amount of attention to each member as an individual, from the health history screening process to the exercise prescription, equipment orientation AND follow-through.

In terms of weak points, I recognize the fact that I performed optimally when I had a manager on staff who "balanced" my personality and approach. While I tend to be more of an idea-type person, I definitely needed the "grounding" of a more nuts and bolts type employee. This mix kept me solid in organizing company procedures, setting specific numerical goals and staying focused on hands-on implementation.

Q. When did you begin thinking about getting out of the business and did you consider other options?

A. To summarize my ownership story from beginning to end, I bought a club that was losing money. I created a business plan that showed me making a profit within three years from purchase. The problem with that scenario was that I based many of my initial financial numbers (primarily in the expense category) on figures that the previous owners provided. While I was immediately able to escalate our membership sales, I failed to plan for the additional expenses I would incur establishing a more premium-level business. These included the purchase of new equipment, the hiring of educated staff at better hourly wages, the money spent on marketing to increase awareness of my facility within the community, the attendance at conferences to enhance my knowledge of the business, etc. So, while my revenues grew, my expenses did as well.

During the "middle years," I finally got the equation "right." I lowered expenses

significantly by cutting out excess items.

I still was not making the money, however, that I felt I could/should be earning personally, especially considering the fact that I went back to school and secured my master's degree (which I got in Kinesiology since I did a lot of exercise programming myself – I feel that clients pay to come to a gym to have access to expertise – in hindsight, I probably should have combined this degree with one in business). Therefore, I kept thinking about ways to partner with facilities that had offerings that I did not. For example, I approached a local physical therapy company. They have a pool but not land aerobics, and I did not have aqua but traditional classes instead. We met and both liked the idea, but we couldn't figure out mutually convenient times to crossover our client bases.

I pursued the above options back and forth for several years. I remained confident that I was offering an incredible niche and outstanding facility within my local market and was optimistic and determined that I COULD make it work. I guess it was personal stubbornness – I never wanted to "quit."

Q. When did it become absolutely clear that you must close?

A. Before I made the tough decision to close, my primary goal first and foremost was to SELL the club. I certainly wanted to preserve the small, women's-only niche I had created within my marketplace. I wanted my members to be able to continue exercising within the comfort of this space that they knew so well. New ownership would thus have been the optimal solution for me to gracefully step out and not leave my members uprooted or disappointed. However, a limitation of this goal for me was the realization that my town is a fairly rural area, so someone is unlikely to relocate here to buy a small business. That meant I needed to focus my search for a buyer locally. The fact that the club wasn't making money hurt its ability to be sold as well (in addition to the overall current national economic situation), but I did have several interested parties view it. One couple owns other clubs in the community but felt it was taking on too much additional responsibility. In fact, I spoke with several local club

owners to ascertain interest, and they all mentioned times being "tight." One woman owned a spa-oriented facility in our mall, but she was under a leasing commitment and was nervous about taking over a business in a field she didn't know well (although I did offer to stay on and help while she mastered the learning curve). I also had a medical company express interest in my space, but they balked when they had builders explain the cost of their desired build-out. My husband and I even listed the business with a broker – again, we had some nibbles but ultimately to no avail. We had set a tentative "timeline" to try and sell the club; when a purchase didn't happen within that period, we moved on to the more final "Plan B" of closing. Basically, in a nutshell, we no longer could afford to suffer the huge financial drain on a month-to-month basis.

Q. Did you share the struggles of your club with staff, members, family and friends?

A. My family was always aware of the financial struggles of the club, and my managers usually knew as well. However, my part-time staff did not know, and I did not really share with friends either. I did not want to create a "worry" or "scare" factor that would cause people to lose confidence in the status of the business. This behind-the-scenes psychological "burden" definitely weighed heavily on me at times, even though I tried to maintain a bright face on the outside. It was frustrating being complimented on offering a stellar facility by both members and industry peers, only to know privately that things were not as steady and promising below the surface.

Q. Once closing was your clear choice, how did you do it ethically and thoroughly?

A. Once I decided to close, I first contacted the Virginia Department of Consumer Affairs. In Virginia, health clubs are regulated by Health Spa Act, and there are specific provisions for handling the conclusion of memberships. My club has always been bonded as additional protection in case we ever suffered any sort of catastrophe. I followed all of the guidelines given to me by Consumer Affairs.

I then set about drafting the announcement letter to my

members. I mailed it out approximately seven weeks prior to our closing date. I contacted and spoke or met with representatives from all of the other area clubs and put together a packet of information for my members to help them transition. I wanted everyone to keep moving and not use my club's closing as an excuse to stop being physically active. Each club was great in offering free trial periods for my members to check them out and also discounted fees. (If you would like a copy of this and other letters contact: clubinsidernews@mindspring.com or call: 770.850.8506.

I had to calculate the prorated dues refunds for every member who had prepaid. This included consideration of medical freezes and referral credits. I had to send photocopies of everything to Consumer Affairs. I also got in touch with my insurance agent, EFT company and other providers to explain my situation to them and process and complete all necessary paperwork.

I definitely wanted to thank all of the people in our industry who had positively impacted my time as a club owner during the years. I sent that letter out via e-mail and Norm Cates published it in The *CLUB INSIDER* News August, 2003 edition. I also held an equipment sale after the club's closing. I was VERY pleased with the format we utilized and felt we did it truly professionally. We had the larger items (cardio equipment and strength circuit pieces) on a "silent" auction format and took bids throughout the day. We also had grouped all of the other items in the aerobics room and had them displayed as a "purchase and carry" format. All in all, I was delighted because many of my former members came and purchased equipment, so it feels like it stayed "in the family."

"Julia's Advice"

First and foremost, I want to say that as the owner of a business, sometimes you feel like you're doing everything "right" and still not succeeding financially. Always keep in mind that you are running a *business*, and ultimately the bottom line does matter in spite of how much fun you are having. Do not underestimate your expenses – it is not a "cheap" endeavor to undertake.

I do want to mention, sadly, that several weeks before I announced the closing of my club, another one in our area locked its doors. Overnight, Yes, it's the often heard yet sad story in our industry of clubs shutting down and not extending a helping hand to their members. This club simply "disappeared" overnight – no refunds were given, no attempts were made to help members join other clubs, no advanced notice was provided. This was exactly the type of situation I wanted to avoid completely and I feel that I did. And, we want anyone that reads this article to avoid such a closing. Unfortunately for our industry, a handful of players can leave a bad taste in the consumers' mouths. I strove hard to complete my club closing in a professional and ethical manner, and I am pleased with the outcome. Now I'm ready to start on the next chapter of my fitness career!

Now that you've read my story, please know that I am more than delighted to speak with any reader out there who might have additional questions or wish to share your own company's history with me. Please don't hesitate to call or write to me via email using the contact information below. Phone #: 540.578.0164 or 540.828.4752 or email: jrhwheat@aol.com

At this time, I have accepted a position to work for a vendor in the club industry. I am excited about this new opportunity to experience our business from the vendor perspective. I look forward to seeing familiar faces at upcoming trade shows and conferences as well as meeting any new and inspiring people who are equally excited and passionate about our industry! Our important mission of helping people live greater quality lives through a regimen of physical activity will continue infinitely.

Thank you to Norm Cates for asking me to explain my club's scenario and giving me this valuable space!

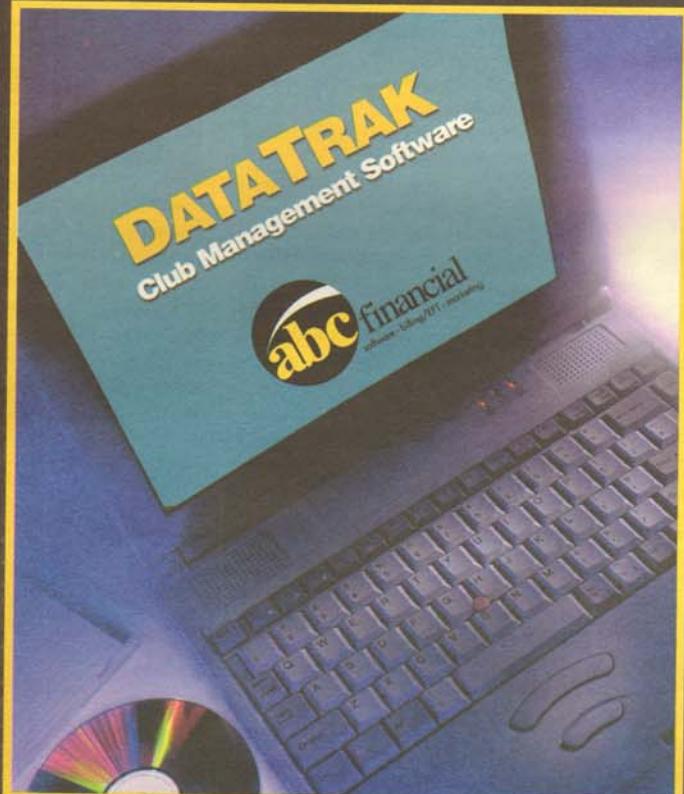
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...Club History

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sized locker rooms often with amenities and with certified staff to provide expertise. Multi-sport clubs were conversions or expansions of pure racquet-sport facilities (e.g., tennis or racquetball or even squash) to include the type of fitness facilities described above.

c. With the opportunity to be entertained, given feedback, provide tracking and offer a variety of ways to use the piece of equipment, both cardiovascular and strength equipment emerged as truly "stimulating."

3. First, the industry needs to reach out to those millions of U.S. adults who have visited health clubs previously and find a way to get them to join or re-join as full members. This group includes former guests to clubs, former program users and former members. Second, the industry has to do a better job of retaining members once they join. The key to this effort is to learn more about each member in order to satisfy him. It will probably require the industry to invest in CRM—customer relationship

management—technology and use this deeper insight into more customized communication with each member and more specific programs and services aimed at his needs.

4. Greatest Challenges For Health Club Industry? a. Getting the following to make a real commitment to the health of the U.S.:

- Insurance Companies: there needs to be a special rate for the regular exerciser vs. the non-exerciser (smoker vs. non-smoker)

- HMOs: they need to see the value of creating a meaningful alliance with health clubs rather than the token financial inducements offered

- Corporations: they need to create incentives for both their employees and their families to really reduce health care costs

- Governments: at all levels of government—especially at the federal level, there needs to be tax benefits and deductibility for support of health club memberships and program fees.

- b. Getting more adults to experience clubs either on a specific program basis and then

later convert to regular usage or create more corporate neighborhood "community" special events or offer more trial experiences to "never joiners." This involves a set of creative experiences, non-intimidating with very direct communication to specific targets. And it may involve pre-existing groups to make it more comfortable for all to even accept a club invitation to visit.

Tom Behan- Is the current the President of IHRSA and President of The Alaska Clubs, a chain with 13 clubs in the three largest cities. Behan is a former banker and brings considerable credibility to the industry from the banking sector.

Tom's responses:

1. In your opinion what are the three most important developments in the history of the health club industry? 1. Aerobics and Raquetball 2. Nautilus Circuit and Lifecycle & 3. U.S. Surgeon General's Reports.

2. Describe the industry impact each event listed above has had? 1. Aerobics, thanks to Ken Cooper and made main-

stream by Jane Fonda, integrated the gyms and brought a whole new set of members and gender to the clubs. Racquetball built a lot of infrastructure that was later available to convert to fitness use. 2. The early Nautilus circuit introduced many "baby boomers" to strength conditioning beyond free weights and built more clubs accordingly. The Lifecycle took it to the next level with cardio conditioning. A host of more cardio equipment evolved in response and activity for both men and women in aerobic training ensued. 3. The Surgeon General's report on the benefits of exercise is well documented as an industry asset that will become stronger as the years progress.

Joe Cirulli

- Joe Cirulli- Joe Cirulli is a 30-year health club industry veteran and the founder and owner of two Gainesville Health and Fitness Centers in Gainesville, Florida. Joe owns the Gainesville market as five years ago he moved his club from a shopping center site to a world-class, free-standing facility that he has subsequently expanded twice to its present size of over 65,000 sq.ft. Cirulli also served

well as IHRSA's 20th President. Cirulli, a master planner and motivator, is now moving into the vendor side of the industry with a major announcement coming in the near future.

Joe's responses:

1. What are the three most important developments in the history of the health club industry? a. Arthur Jones and the development of Nautilus

b. Scientific research

about the benefits of exercise

c. The media touting the benefits.

2. Describe the industry impact each event listed above has had? a. Arthur developing single-station machines, then becoming a one man PR show.

b. Science and the media helped us move into the mainstream

3. In your view, what needs to happen to take the health club industry in America to the next level in terms of increasing the 13% percentage of the U.S. population that are now health club members? "Creating more niche programs within our

(See Club History Page 28)

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World Instructor Training Schools (W.I.T.S.)

By: Jay Del Vecchio

Provide In-depth P.T. Certification

The World Instructor Training Schools, W.I.T.S., entered the market of certifications in 1989 to educate wannabe personal trainers to work in my health club. Traditional giants in the industry were sending us graduates of their home study or weekend certification courses that averaged just 12 hours of training and testing. Traditional personal trainers could just not perform in the field. We were finding well educated graduates from colleges that had no "hands on practical" training too. Here I was paying, as a club owner, people with national certification credentials that had a piece of paper but no "in the field knowledge." I then needed to train them on almost ever aspect of assessing and programming a client.

I decided to take action and formed a committee of very smart degree and non-degree experienced people to take the ACE textbook and expand on it. We wanted to include a base educational program with hands-on training. We developed defendable criteria to teach and use in the everyday business of personal training in the health club. The W.I.T.S. personal trainer testing procedures were then developed and patterned after the National Athletic Trainers Association (NATA). We created a 6-page practical Easy Evaluation system. The concept is to make a trainer actually take a mock client through a complete workout. Items on the exam are called out and the trainer must use his base knowledge to configure the perfect match for the written case scenario for that client. The five areas covered in the practical test are assessment testing, warm up, stretching, upper body and lower body exercises. The 5 weeks of training or 30 hours of theory and

practical lab, include role playing and drills. There is no misrepresentation that they are able to train anyone that walks through the door. They are educated to work with healthy individuals with no special medical needs. The course has been well received in the corporate sector and predominately in the colleges. Many individual health club chains and larger ones like Bally Total Fitness also use our personal trainer certification courses due to the quality and success of our graduates. The advanced specific certifications like Cooper, ACSM and the CSCS are recommended to all our graduates to take it to the next level in what is a very dynamic, ever-changing profession. The process is simple to achieve and the serious career oriented professionals tend to gravitate to W.I.T.S. If you would like a graduate list of personal trainers for your area, just send us a note on letter head and we can fax you some help for your facility.

(See Ad Below)

based in Taos, New Mexico and Fort Worth, Texas, SCS offers regional-city one-day seminars, this fall headlining the "SONAR" 5-part plan for better profitability, and an intensive two-day workshop on personal and group training in home headquarters of the Fit For Life Centers in Texas, of which he is

a partner. He can be reached at 505-690-5974, by email at scuddertour@direcway.com or at his web site, www.scuddertour.com. Comments and questions are welcomed and encouraged.)

...Scudder

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(Michael Scott Scudder, a contributing author for "The Club Insider News," is a three-decade veteran of the fitness industry. He heads Southwest Club Services, a club management training company

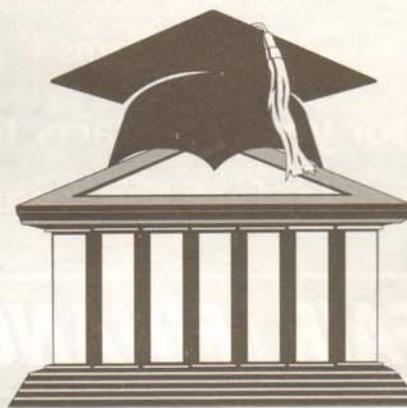
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Body Training System Update

More than 8,000 health and fitness clubs are now running Les Mills group fitness programs, as the exercise-to-music programs continue to gain in popularity around the world.

The programs are earning \$32-US million a year in franchise license fees alone, with more than three million people taking Les Mills classes every week.

Latest reports from Les Mills International in Auckland, New Zealand (July, 2003 statistics) show 8,030 clubs in 40 countries are currently licensed to offer one or more of the seven Les Mills programs, of which the most popular is the weight training with barbells class, BODYPUMP(r).

Les Mills' strategy is to provide quality-assured options for customers in all the main group fitness categories (strength, cycle, combat, dance, mind-body, step, cardio/hi-lo). An increasing number of clubs are buying into this and offering all seven Les Mills classes across their timetables. The average number of Les Mills programs for all licensed clubs is currently 2.6.

The pre-choreographed programs are developed in Auckland and marketed and distributed to fitness clubs by 16 regionally-based agents.

The major markets for the programs are in Europe, North and South America and Australasia. They are also well established in Japan and are being introduced throughout China and South east Asia.

The three biggest Les Mills agencies are Body Training Systems (formerly The Step Company), based in

Atlanta, Georgia, USA, Body Systems of Brazil, servicing clubs across South America from its base in Sao Paulo, Brazil and London-based Fitness Professionals.

Of the other agencies, four have more than 500 licensees each: Les Mills Australia, Planet Fitness (France), Bonsport (Germany) and ProFITs (the Netherlands).

The next biggest markets are Japan (Konami Sports), Sweden (S.A.F.E.) and Spain (Bonaport).

Now offered in more than 7,000 fitness clubs around the world, BODYPUMP has remained the most popular of the Les Mills programs since its launch internationally in 1996 and continues to be the world's most popular branded group fitness class.

The martial arts-based program BODYCOMBAT(r) is offered in 4,700 clubs internationally. The mind-body fitness class, BODY BALANCE(r)* is in 2,700 clubs and is currently the fastest growing Les Mills group exercise program.

The remaining programs are BODYSTEP(r) (2,000 clubs), BODYATTACK(r) (1,500), RPM(r) (1,500), and BODY JAM(r) (1,300).

Les Mills International is aiming for 10,000 licensed clubs by the end of 2004, with an average of three programs running in each club.

The company's vision is to double group fitness participation by 2010 and in doing so to contribute to the IHRSA goal of 100 million fitness club members by 2010.

*For copyright reasons, BODYBALANCE is known as BODYFLOW(r) in North America.
(See Page 31 for Body Training Systems information.)

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...Club History

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centers. We're currently developing an Arthritis Aquatic Center and the reception by the medical community and the Arthritis Foundation has been terrific. Also we're developing a special area for Spinal Fitness. New programs for obese children and cancer patients are and will continue to add new people who currently are not using our centers.

4. In your view, what is the greatest challenge the health club industry is facing in the U.S.? a. Getting the Government on our side.

b. Continuing the education process for operators of facilities

c. Continuous Public Relations – the "good kind."

John McCarthy- John McCarthy has been IHRSA's highly esteemed Executive Director for 23 years. He has proven over this long haul to be one of the greatest visionary leaders in the history of the health club industry. Through John's leadership IHRSA has achieved major inroads into the fight against non-profit competition, legislative relations on the national and state levels and has led IHRSA in its role as the #1 health, racquet and sportsclubs continuing education organization.

John's responses:

"The most potent influences on the long term development of the health club industry are:

1. The Surgeon General's Report on the Health Benefits of Regular Exercise and the Health Risks of Sedentary Living (July 11, 1996).

2. The ongoing avalanche of research reports from the highest medical authorities in the world regarding the vital and irreplaceable importance of regular exercise. These reports are now almost daily occurrences. And they touch every aspect of health from emotional health to intellectual health to physiological health.

3. The ongoing involvement in regular exercise of leaders in every field of endeavor from Presidents Bush and President Clinton to Tiger Woods, Andre Agassi, Oprah Winfrey, Colin Powell, Arnold Schwarzenegger, Jane Fonda, Brittany Spears, Jack Welch, Jim Collins, etc. Leaders everywhere

in every field of endeavor are apostles of the importance of regular exercise.

4. The enormous unpaid and unsolicited support that this industry receives almost daily from every major newspaper and every popular magazine in the country.

5. The fact that every college and university in the country is providing its students with world-class fitness centers...which are, as it were, the "farm teams" that annually produce hundreds of thousands of new members for the health clubs everywhere in the country.

6. The nation's obesity crisis which now offers the industry yet another unparalleled opportunity to serve the interests of the nation and of every citizen in it."

Bob Provost- Bob Provost is a 30-year health club industry veteran and the founder and owner of the Greenville Health and Racquet Club and the Sportsclub Simpsonville in South Carolina.

Bob originally entered the industry as an indoor tennis center owner/operator. Beginning in 1978 Provost converted some of his indoor tennis courts to racquetball, weight training areas, an aerobics room and indoor track.

Bob's responses:

"I would list 1. Life Cycle and Aerobic classes. They lead us in the delivery of the cardio-vascular component of fitness rather than weights alone, which gave us credibility in the area of health. My first step was five pieces of Nautilus and an indoor track. 2. The introduction of monthly dues and EFT. This gave us consistent cash flow. I started in 1978 writing out, by hand, credit card charges. 3. Surgeon General's Report. It began the process of the government getting behind all of us in the business of fitness. What's the next need? TIME. All of the above has the fly wheel turning as Jim Collins would say. It's moving now at visible speed and soon it will be turning beyond our fondest hopes. It will be our job to catch up with the demand."

Michael Levy- Michael Levy has enjoyed a 30+ year club industry in which he and partner, Jay Kell, developed one of North America's greatest club chains. That group of 10 clubs were known as the Sports Clubs of

Canada. A few years ago Levy and Kell sold their clubs to Bally Total Fitness. Kell is now in Western Canada and Levy has recently announced his retirement from his role with Bally Total Fitness, but he will continue to serve on IHRSA's Board of Directors.

Michael's responses:

"Three most important developments:

1. The Aerobic phenomenon ("created" by Jane Fonda)
2. Creation of the Lifecycle and Cardio Equipment (Thanks to Ray Wilson and Augie Nieto)
3. Introduction of monthly dues to the club world (Curt Beusman should be lionized for that one single idea).

Impact of the Above:

1. Aerobics changed the mix of clubs forever. Until that time, the racquet club industry was dominated by tennis, squash and racquetball and the nature of clubs was a male-dominated one, both for services and amenities. Once aerobics and "sweat" became fashionable, women joined clubs, both health and multi-purpose, in droves and forced the proper changes upon the industry including: spa services, juice and health bars, better service and attention to detail.

2. The introduction of cardio equipment (Lifecycle first) made gyms a popular place for all ages. Until then, the concept of the "muscle head" dominated health clubs in particular. Once cardio equipment, including exercise bikes, treadmills, stair climbers, elliptical and a myriad of others became common place in clubs, the kind of person interested in fitness was revolutionized. Just think what a gym used to be, filled with plates and barbells and guys who were "frightening" to the average person. With the cardio equipment, women, seniors, teens, and the average person could workout and get real results without having to be a body builder."

Dean Wallace - Dean Wallace is a 25+ year veteran of the health club industry. He spent most of his career in Salem, Oregon as the leader of the Courthouse Athletic Club chain, growing the club group to six locations prior to departing.

Now, Dean is the COO of the Siver Club Company in Portland, Oregon, where he oversees four clubs and is heavily involved in the planning and development process for 4 to 6 more clubs. Dean has also served well on the IHRSA Board of Directors for the past 3 years.

Dean's responses:

1. "The 3 most important developments: a. computerized cardio equipment (Lifecycle to start it all); b. founding IHRSA; c. evolution of multi-facility sports clubs.

2. Impact of each: a. Put fun and focus into cardio conditioning; b. IHRSA brought together, professionally independent club operators for the purpose of learning and confronting industry issues; c. multi-purpose clubs provided a place for couples and families to recreate at the same time and do more than just lift weights.

3. What needs to be done to grow? The government must provide incentives and reward Americans for making healthy lifestyle choices. They must also mandate Public Service Announcements on TV networks and cable espousing exercise and the "rewards of fitness."

4. Greatest challenge? The way some club chains "devalue" our product; how to simplify the concept of exercise as a discipline; some of the regulations facing the industry; unfair/non-profit competition and the number of "time takers" that compete with exercise; i.e. computers, movies, tv, etc.

Dale Dibble - Dale Dibble is one of the greatest club industry leaders and the #1 sharer of club industry knowledge that ever lived. He and his partners, Ed and Zoe Veasey, began in the mid-1970s with a 16 indoor-court tennis center called Cedardale in Haverhill, MA. Over a period of 15 years they converted most of those courts into a facility that became one of the world's greatest multi-purpose clubs. Now retired, but actively involved in the programming at the Hyatt Classic Bentley Village in Naples, Florida, Dale and his wife, Olive Mae, continue to exercise vigorously. In fact, Dale Dibble has done something truly historical. Three years ago this Thanksgiving, Dibble was rushed to the Cleveland Clinic in Cleveland, Ohio, with continued

problems with his heart. He had had a couple of open heart surgeries and angioplasty procedures, as well as stints installed. The doctors told him they could never do another procedure for him after that and that he had only "two to four months" to live. Dale Dibble is probably the most enthusiastic and energized human being you will ever meet anywhere, anytime. He came home to Naples determined to fight back. He increased his exercise level significantly and earlier this year Dibble was told by those same doctors that he was doing something that was amazing. They happily informed Dale that his heart was actually regenerating and healing itself due to his exercise regimen! What a miracle! IHRSA's leaders thought so highly of Dale Dibble that in March, 2001, they named the annual Distinguished Service Award, its highest honor, after him. The Dale Dibble Distinguished Service Award has been given to yours truly, Norm Cates, Jr. (2001), Rudy Smith (2002) and Frank Eisenzimmer (2003) since then.

Here are Dale Dibble's responses to our questions:

In your opinion what are the three most important developments in the history of the health club industry?

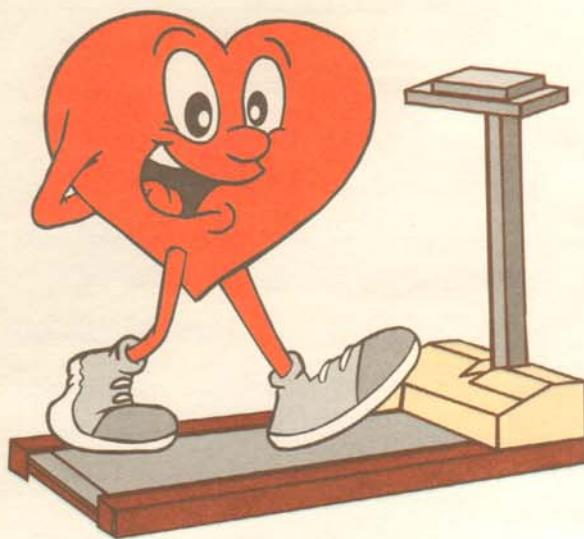
1. Paying dynamic key employees based on financial results.

2. The value of creating a seniors Fit program for people like myself between ages 65 to 100. I am 83. Without Bentley Village Wellness Center I would have long ago been dead.

3. The value of keeping score toward motivating seniors to keep fit. The creation of a seniors niche within a club dedicated to seniors (65 and older) in which the Senior Fit Directors are paid based on results that is fair to the owners and the Fit Directors.

Describe the industry impact each event listed above has had? Answers:

Pay Based On Results - I am speaking as one who started in the summer outdoor swim and tennis club business in 1965. Memberships involved the entire family before the days of working mothers. Twenty years later we had to radically change our outdoor facilities as mothers went to work. We changed from outdoor swim and tennis club to day camps during weekdays and (See Club History Page 30)



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...Club History

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corporate outings during weekends and in between. The combination using the same facilities has been and continues to be very profitable. The best decision our son John Dibble and I ever made was to take advantage of the talents and drive of three key dynamic employees who had worked for us since they were kids and pay them each 20% of the profit (not part of ownership). How rewarding it has been to watch these three key employees who are now or soon will be millionaires. Compensation based on results for motivated employees results in bringing out the very best they have in themselves. The added motivational fun they are having and the reputation they have

created as a splendid corporate outing center and day camp during the weekdays is very rewarding and exciting to my wife Olive Mae and I.

Seniors – I went through my working life not paying too much attention to my exercise habits because in my case my job had physical activity built into it. Watch out when you retire! I guarantee without workouts/physical activities almost every day of the week you are heading for trouble. Olive Mae and I are part of a retirement community called Bentley Village with approximately 930 retired residents. I doubt if there is another retirement community in the world that is more dedicated or has finer fitness facilities or better staffed with key fitness employees who really care. In this village regardless of how good it is, there tend to be two

groups – those who keep fit by workouts/activities most every day of the week and the non-fits. All you have to do is compare the two as they age. The fit group lives longer, feels great, has more fun and is more socially involved.

Bentley Village Wellness Center has been keeping score for the past 14 weeks of what happens as we age between the two groups - fit and non-fit. Bentley Village (a classic residence by Hyatt) is the perfect model to measure the differences between life for fit residences and non-fit. It has independent living for people in their own apartments. It also has a separate assisted living as needed and a separate Care Center as needed. What a great test model to compare "fit" compared to non-fit and the related care costs between the two groups.

At the urging of Rick Caro and Mark Eisenzimer, Gary Albert President of ActivTrax modified their national database system specifically for our senior needs. For Bentley Village it had to be a measurement system that was simple and fast. From that data we had to be able to print not only summary individual results, but results as a whole, by apartment buildings or age groups, for residents to be proud of their accomplishments.

Keeping Score - Every day using ActivTrax centralized computer system we record workouts/activities broken down into 10 categories. All residents who average 3 or more workouts/physical activities per week over a 6-week period become a member of our Wellness Center's "3 Fit Club". The fact we are measuring (keeping score), publishing names of our "3 Fit Club" members plus contests between the 32 different apartment buildings, is creating intense interest by residents to be part of "3 Fit Club". With fifteen weeks of measuring and printing scores, two things are happening – many more residents are becoming fit and those already fit are becoming more fit. Where would golf, tennis or whatever be if there were not some way to keep score and be proud of the results?

I am 83 (average age at Bentley Village) With the positive physical results of the Wellness Center, life does not get any better for all of us who workout and enjoy physical activity most days of the week for 30 minutes or more during each workout.

Although I tried a limited senior citizens niche at Cedardale Athletic Club just before I retired, I wish I had that phase of my life to do over again knowing what I know now. I would have a senior's niche that would be a doozy. I can think of no group that is more fun, loyal; reap more benefit and self-satisfying. I would never give seniors discounts- instead I would spend saved discounted money on more attention and making sure I had the right people running it. Finally I would pay the Senior Wellness Director based on financial results with an arrangement that is fair to the director and the club.

In summary, show me any senior 65 to 100 who works out and/or does other physical activities 30 minutes or more each day with strength training included and you will be looking at somebody who leads a very enriched, fun-filled life during their twilight years, compared to their non-fit counterparts. With regard to strength training, Bentley Village residents love the Keiser pneumatic strength training machines. They are very senior user friendly. Fit seniors have much more energy, spend much less time, if any, in a Care Center, their health care costs are less, they sleep better, and are much more exciting to be around because they have the energy to be full of life."

Question-Dale, in your view, what needs to happen to take the health club industry in America to the next level? "More attention has to be paid to seniors. Nobody and I mean nobody needs workouts/physical activities more than seniors (over 75). Not only do they need exercise, they need strength training. Strength training will reduce number of falls by 50%. Strength training is increasing lives of heart patients by years. My own case is a perfect example. To think I used to never give strength training the time of day. I thought that was for "show offs".

Measurement System – Until recently I was never involved in measuring members' fitness. My plan, like everybody else, was build a club, sell memberships, and try to "make it fun" and hope for the best. We never kept score on our members. With the advent of new software systems such as ActivTrax, where we can record workouts/physical activities, we are able to

excite our resident base resulting in another 20% increase in fit residents. Like keeping score playing golf, tennis or whatever, there is something about scorekeeping that helps motivate people to keep fit. In the future I see almost all clubs that are worth their salt keeping some form of scorekeeping for their members. With today's software, the cost is very small compared to the additional memberships and rewards in satisfaction of knowing the depth you are keeping your membership fit and the ability to encourage and promote workouts/physical activities most days of the week as a way of life.

My Final Suggestion: Pay key employees (the real winners) based on measurable results. With the right kind of employee driven by pay based on results, the financial benefits are immense for both the club and employees as evidenced by Cedardale/Groveland clubs. At the same time, that club or niche or whatever, becomes the best in the industry as viewed from the member's eyes."

Tom Lincir

Tom Lincir is the President and Founder of the Ivanko Barbell Company, the world's leader in free weights. Lincir, a 35-year veteran of the fitness industry, is also the world's #1 expert on weight training equipment and the evolution of weight training. Lincir has an amazing collection of historical weight training equipment that chronicles weight training right from the beginning. Tom's response: "The #1 development was the single unit weight stack machine. (Universal and then Nautilus). This allowed the average person to get in and out of the gym much faster. The next one was cardiovascular machines, starting with electric treadmills and then the Lifecycle. And, the third one was the acceptance and promotion of weight training for women. Those three things created an environment where you could make a lot of money in a health club. In the early days of weight training, there were only a few us with muscles. We were "weird." Now, just look anywhere. You can even go to a computer show and see men with well developed biceps now. And, the women love weights to develop those shoulders!" Those are the three things that had the greatest impact on the health club industry development."



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