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Norm Cates'

THE Club Insider

NEWS

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

OCTOBER 2003
VOLUME 10 NUMBER 10

10th Anniversary Special Edition!



(LtoR) Mike Uretz, Joe Gold (seated) & Arnold Schwarzenegger

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NEWS

World Gym International Seeks Quality!

By: Norm Cates, Jr.

Gold's Gym in Venice, California became known as the "Mecca for Bodybuilding." The Founder of Gold's Gym, Joe Gold, sold his gym in 1970. Six years later, in 1976, he opened a new gym on a second floor space on Main Street in Santa Monica, California.

Joe Gold built his first World Gym because Arnold Schwarzenegger and many other prominent body builders of the era wanted a new place to train. The original World Gym on Main Street in Santa Monica, California attracted the world's greatest body builders. From that notoriety, Joe Gold's new venture, named World Gym, took off. This article chronicles those years with interviews with Joe Gold and Mike Uretz. We also share here the development and history of World Gym International, Inc. from day one.

Comments From World Gym International, Inc. Founder and Chairman Joe Gold

We had the opportunity

to speak to Mr. Joe Gold and here is that conversation.

Q. "Mr. Gold, tell me briefly about your World War II experience?"

A. During World War II everybody had to serve. We had 13 million men under arms. I went in the service in August, 1942. I was in the United States Coast Guard, which was also the Navy during the war. I served in the South Pacific for almost two years. I was in 8 invasions and the biggest was the invasion of the Gulf of Leyte (in the Phillipines) and that is where I acquired this injury that put me in a wheelchair. I've seen enough action to know what it was all about and I didn't want to do it again, but I did get stuck in the Korean War and the Viet Nam War. I don't care to go into the gory details. But, at times it was hairy and very gory. Coming back from the World War II, I spent five months in the Naval Hospital at Long Beach. And then, I was transferred to Convalescent Hospital in Arrowhead Springs, above San Bernardino. Then I was discharged. I went back to my

lovely, lovely "Muscle Beach!"

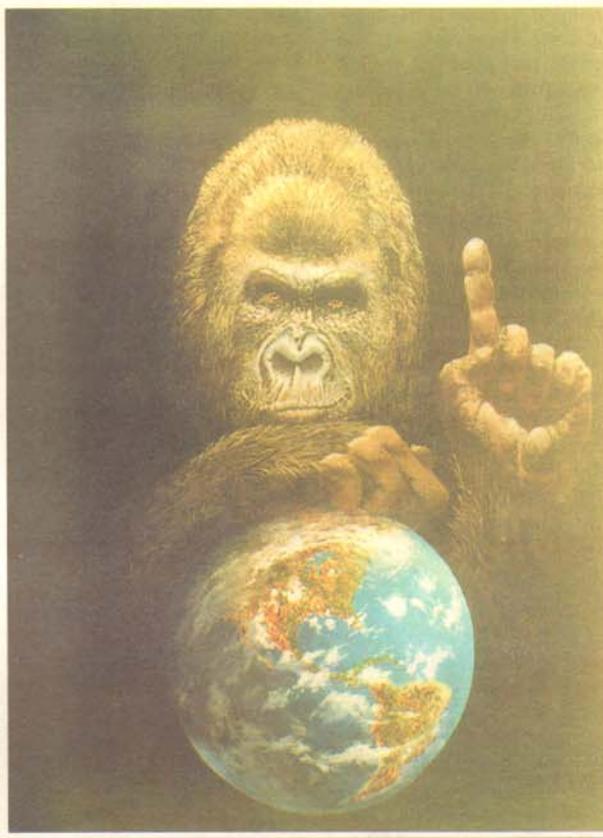
Club Insider- Mr. Gold, I for one, want to thank you for serving your country and helping us all stay free. If it were not for the guts and determination of the men and women of your great generation, there is no telling what America would be like today, or if it would even exist. Thank you, Mr. Gold.

Mr. Gold- Well, it was something we had to do. But, to be honest, you had no choice. Still, I volunteered because I wanted to choose my service. Otherwise, I might have ended up (on the ground) in Europe somewhere.

Q. What was it like on Muscle Beach during the early days of body building?

A. Harold Zinkin (the author of the terrific book "Remembering Muscle Beach") and I were very, very good friends. We grew up together in the same neighborhood. We went through junior high and high school together. Harold was a fantastic athlete. He was a much better athlete than I had ever dreamed of being. He

(See World Gym Page 8)



The Famous World Gym Gorilla

Alaskan Club Business Pioneers

Tom Behan and Andrew Eker Join Ray Wilson

IHRSA President Behan Believed In Wilson's Plan Immediately

By: Norm Cates, Jr.

Ray Wilson says he is very pleased with the amazing amount of interest by people from around the world in his next

club industry phase, Ray Wilson's "Healthy Exercise" Clubs and and Figure Magic Express. In fact, he says the response to the article, his letter to the health club industry and

his ad in the September edition of *THE CLUB INSIDER* News has been much greater than expected. It is no wonder that the response is greater than even he expected, because his letter announcing his new and amazing goal to reach 10,000 "Healthy Exercise" clubs has the health club industry abuzz worldwide.

Wilson is finding that many industry veterans were already thinking about exercise in this same way and were already heading in the same direction of small clubs for the

de-conditioned market. The awareness of the de-condition plight and opportunity has been repeatedly brought to the forefront by visionary IHRSA Executive Director, John McCarthy. McCarthy has echoed over and over the U.S. Surgeon General's declaration of War on Obesity and has been in the forefront with constant news updates about the findings as Americans come to realize more and more than something must be done about the North American obesity epidemic.

IHRSA President Tom Behan & Partner Andrew Eker Sign On With "Healthy Exercise"

Tom Behan, current President of IHRSA, had researched the concepts that Wilson is applying to his "Healthy Exercise" clubs before Wilson announced his new chains in the June edition of *THE CLUB INSIDER* News. Behan had been quoted as saying a new small club model would emerge for the de-conditioned masses.

(See Ray Wilson Page 6)

Inside The Insider

- The "Insider Speaks" - 10 Years and Counting!
- The Role of the Membership Representative In Retention
- King of Small Business To Headline IHRSA Convention
- "small" Is Great!

The "Insider" Speaks

10 Years and Counting!

By: Norm Cates, Jr.

I would like to thank everybody that has helped make this publication happen for the past 10 years. First, I would like to thank our terrific advertisers that have made this work possible. Our advertisers are terrific companies that support this cause, not only for the customer awareness and business we generate for them, but for the cause this publication represents. That cause: "Better and more professional clubs across the world and yes, sometimes dealing with matters in the health, racquet and sports club industry that no other publication or organization in this business will deal with." In particular, I want to say special thanks to two companies that have advertised with us in every edition of The *CLUB INSIDER*

News we've published since we started selling advertising in June, 1994. Those two companies are Affiliated Acceptance Corporation and the Springfield Corporation. I also want to thank our many Contributing Authors who have provided us with excellent articles on a broad range of industry topics. You will see the names of some of those experts in our Contributing Author Listing shown on Norm's Notes, page #5. Thanks to Ron Hudspeth and Cathy Brown of Atlanta's Hudspeth Report—The "Pulse of Atlanta" for helping me get started and shepherding our efforts through our first 8 years. I want to thank my terrific son, Justin Cates, for the truly amazing job he has done, first in teaching me how to use a computer, then as our Webmaster and for the past two years, serving as our Computer Layout Director. I want

to thank all of the members of the terrific Walton Press team in Monroe, Georgia. This 100+ year old company is the best in the business. Thanks to my wonderful account Rep., Linda McGinnis, Nancy Shumake and her team in electronic pre-press, all the terrific Pressmen that have rolled the presses for us over the years, the mailroom folks and especially Ms. Kelly Parham, and all of the drivers that have sometimes had to sit too long as I finished my "boards" back in the "old days". I also want to thank every one of the Faust Executive Roundtable #1 Members that helped me create "my dream" and to improve it with their input in the past. Special thanks to Rick Caro, whose wonderful help and guidance cannot be stated fully here. I also want to say sincere thanks and appreciation to John McCarthy and the terrific team he has created over the years at IHRSA. It will be my pleasure to always support and promote IHRSA because in this industry, IHRSA is the very first place you should involve your club. Last, I want to thank my Dad and his wife Louise for their support and my brother David for the support and help he has provided me over the years. Thanks to you all from the bottom of my heart as we celebrate 10 amazing years!

10 Years Ago We Started In Chicago

10 years ago this month we launched The *CLUB INSIDER* News in Chicago at the Club Industry Convention and Trade Show. The publication was just 12 pages and did not have four color photos on the cover and we had no advertising. Featured on the cover of that edition was a photo of the one and only Red Lerille, the health club legend in Lafayette, Louisiana, that at that time was just finishing up his 30th year in the business. (He begins his 41st year in January, 2004).

People tell me that it is quite an achievement reaching a publishing milestone of 10 years with any publication. Let me tell you why The *CLUB INSIDER* News exists and how we have made 10 years. The first reason

is now a completed goal. My goal was to develop a new business that I could operate from my home. And, it had to be a new business that kept me involved with the club business and the terrific club people that I love. Why, you may ask, was I insistent upon this being a home-based business? The answer was my son, Justin Cates. At the time, the lease on my last club was expiring and my son, Justin was just 8 years old. My wife, Ilena, had just opened an antique store and I knew she would be absent from the home for many long days. So, I was determined to become a "Mr. MOM" and to work at home so I could be here when he left for school each day and when he came home. I achieved that and that fine young man, Justin Cates, is now a Freshman at the University of Georgia. He is doing great at UGA. And, he continues to contribute terrific work production as our Computer Layout Director and Webmaster right from his dorm room. To sample his work, just flip through the pages of this 10th Anniversary Special Edition and go to: www.clubinsidernews.com to see his Website work firsthand.

Now The Mission Continues

In January, 1993, at a Faust Executive Roundtable #1 Meeting in Chicago, I was prepared to present a list of 10 potential new businesses to our group for input from many of the same friends with whom I co-founded IHRSA. This terrific group of legendary club owner/operators included the man who dreamed up IHRSA, Rick Caro, the aforementioned Red Lerille, Curt and Jane Beusman, Todd Pulis, Cecil Spearman, Mitch Wald, Dick Trant, Jay Kell, Tom Lyneis, Jill Kinney and Mark and Debbie Eisenzimmer. The meeting was exciting for me because when I got my chance to speak to the group, I told the group about my reasons for presenting this list of 10 potential news businesses for discussion. At the end of my allotted one hour of time, the group had whittled my list down to one clear choice. A newspaper for the health, racquet

and sportsclub industry. Not any newspaper, mind you. But, a newspaper that would, as Jane Beusman stated so well in that meeting, "A publication that is outspoken on important industry issues, irreverent at times and that "Tells-It-Like-It-Is." Jane Beusman hit the nail on the head and I left Chicago with a picture of what I hoped to do for the rest of my business career. That picture has become more clear as we have refined the publication to include four color pages throughout and, I think, we have refined our Mission Statement. The *CLUB INSIDER* News Mission has been and will continue to be: "To publish the latest club business news first, before all others. To publish helpful educational articles that will advance the operations of the clubs owned and operated by our readers. And, to speak out on behalf of the entire industry on important industry happenings or issues that no other publication or organization will touch." And, I am happy to report to you all that we have now achieved that mission for 10 years running. And, I have no plans of slowing down. In fact, I plan to expand The *CLUB INSIDER* News to 64 pages per month by the end of 2004. And, we are in the process of taking The *CLUB INSIDER* News totally digital which will enable our paid subscribers to obtain our pages even more quickly, a week to 10 days sooner than the printed version will arrive in the mail.

A Comment To All Of Our Readers About Subscriptions

Many of our readers wonder why they receive The *CLUB INSIDER* News only once in a while, maybe every three or four months. The reason is SIMPLE! It is because you are not a paid subscriber and have not invested in a PAID subscription. Yes, we mail out a certain number of complimentary sample copies every month to supplement our paid subscriber mailing, thus giving our advertisers the best possible results we can deliver. But, if you want to receive The *CLUB INSIDER* News (See 10 Years Page 7)

10 YEARS and Counting!

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●Norm's Notes●

●**GOD BLESS AMERICA!** Is this a great country or what?! Where else in this world could a man come to a country with just a dream and end up being **GOVERNOR OF CALIFORNIA?! CONGRATULATIONS ARNOLD and MARIA SCHWARZENEGGER!** :If anybody can find solutions for the issues facing the State of California, Arnold will. I am sitting here in a Delta jet next to **KENT LEHNHOFF, V.P. of Strategic Accounts for Club Com & Cardio Theater** and **CATHERINE MEREDITH, my new advertising and subscription Sales Associate**, on the way to Chicago for the always terrific **CLUB INDUSTRY SHOW**. I just can't hold back my excitement about this election! I make it a practice to **NEVER** comment on politics in this publication. But, I am just so excited to see that someone from our industry, the **one-and-only, Arnold Schwarzenegger**, has risen to the call to help save the economically depressed, but always majestic, **Great State of California!** I would give Arnold better than even odds that four years from now, he will have California back on its feet and again attracting new business and people, as opposed to what has been happening for the last few years, a mass exodus. In California, I think it is very easy to justify the comment that **"they are all in this together."**

● **The Club Industry Show** in Chicago brings back some very

fond memories for me, as it was 10 years ago this month that I stood in the motor lobby at **McCormick Place** where the buses drop off and pick up convention and trade show attendees and personally handed out 2500 copies of 12-page fledgling publication called **The CLUB INSIDER News**. Yes, it was 10 years ago that I launched **The CLUB INSIDER News** and we have been **"Telling-It-Like-It-Is!"** for 120 monthly editions now. Boy, how time has flown by! **Club Industry Magazine** and its annual convention and trade show are one of the greatest assets the health, racquet and sportsclub industry has ever had. The educational component, directed by the energetic, jolly and fun guy, **HOWARD RAVIS**, is always outstanding and it was again this year. This year, Club Industry introduced its first annual **"Lifetime Achievement Award"** and it was given to **"The Godfather of Bodybuilding", fitness publishing legend and icon, JOE WEIDER**. There is nobody alive that has done more to promote and grow **bodybuilding and weightlifting** than Mr. Weider. On the trade show side, a number of companies rolled out new products for the club industry and for the first time, those products were presented at the **Club Industry New Product Press Conference**. Congratulations to **Club Industry Publisher, BARRY LeCERF, Editor-In-Chief, JOHN AGOGLIA, HERB GREENBAUM, ZARI STAHL and SAM POSA**

and the entire **Club Industry Team** on another outstanding event!

● **Speaking of outstanding events, DO NOT MISS the 23rd Annual IHRSA Convention and Trade Show in Las Vegas, March 22-25th.** The IHRSA Convention and Trade Show has rightfully earned the title of **"Granddaddy of Them All"** and if you've never attended this world class event, you really should make plans to attend. (Check out page # 12 for more information). And, if you've attended in the past, but not lately, here are just a couple of reasons you and your staff should be there: former New York City Mayor, **RUDYGULIANI**, will give a keynote speech on a subject he is an expert on, **LEADERSHIP**. And, we will celebrate the **10th Anniversary of The CLUB INSIDER News in Las Vegas during the IHRSA Convention. STAY TUNED for the date, time and place for the party!**

● **LATE BREAKING NEWS!** This just in! The **NPD Group's Annual Eating Patterns in America Report** just announced in the **Wall Street Journal** that it had found that Americans lost weight for the first time in years! Are Americans finally getting it? The report states that sixty-six percent of those surveyed said they are exercising strenuously at least once a week. That figure is up from 63 percent in 2002. So, if those reports are accurate, let's do some math. Sixty-six percent of the U.S. population of 285 million is 188 million. The commercial health club industry, all YMCA's and JCC's combined have about 34 million members. So, that would mean that 154 million Americans are exercising strenuously once a week somewhere besides a commercial health club, YMCA or JCC. Does that tell us anything? I think so. It tells me **RAY WILSON** and all others that are seeking to downsize the American health club model to attract the de-conditioned, are really onto something **big and important!** Check out the page #3 story this month for an update about **IHRSA President TOM BEHAN** and his partner, **ANDREW EKER** teaming up with **Ray Wilson** and also in the interview about **World Gym** with **MIKE URETZ**, check

out the information on the new **World Gym Express**.

● **HARRY MEEKS** owns the **Orange Avenue Gym** in Orlando, Florida (one of the oldest continuously operated gyms in America) and three other facilities. Last month he placed a classified ad seeking employees/investors and we made an error on his phone number. Harry's correct number, 407.421.9800 now appears on his ad on page #22. My apologies for the error Harry.

● **DOUG LEVINE**, the branding wonderkind who developed **Crunch Fitness** and sold it to **Bally Total Fitness** a few years back, has a new idea and is off and running with it. Levine has founded a new company, **PUSH.NET**, that produces monthly specialty Fitness Training CD's and is distributing them worldwide.

● **JIM GERBER and PETE JONES'** new mega club in San Diego is kicking butt and the word is they have passed 3,000 memberships. These guys design, build and operate some of the worlds most beautiful and successful clubs.

● **ANNBETH ESCHBACH'S EXHALE SPA** had a wonderful New York City **Grand Opening** debut recently and it is said to be really spectacular and that the several thousand that attended the event were dazzled! Good luck Annbeth.

● Previously in these Notes, I mentioned the **MPD** study showing people are exercising more. That information contrasts significantly from what **DR. KELLY BROWNELL**, the **Head of the Yale University Weight Management and Obesity Department**, told the attendees in his keynote speech at **Club Industry** last week. **STAY TUNED** for our November issue for a full and shocking report written by **RHONDA GATES of Smart LIFESTYLES** on Dr. Brownell's presentation and new book entitled: **"Food Fight."**

● It appears that the **real estate** genius in Greenwood, Colorado that owns the Greenwood Athletic Club is missing the picture. First, he cut key staff to save money, including the GM



Norm Cates, Jr.

and others that had made the club so very successful. Now, word is he is trying to float a bond on the city's back and he is experiencing a bunch of
(See Norm's Notes Page 29)

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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...Ray Wilson

continued from page 3

When asked to describe the new small club, Behan said, "What will it be? My guess today is coed (upgraded from Curves) circuit-convenient, easy, fast and low cost." It turned out that Tom Behan was describing Ray Wilson's Healthy Exercise clubs. It was no wonder that Tom closed a deal quickly with Ray Wilson for ten franchises.

Tom Behan and partner, Andrew Eker, who is President of their club chain, known as The Alaska Clubs, now have 13 large clubs in Alaska. Their club group includes one club that the Teamsters built during the Alaskan pipeline construction for ten million dollars. Behan and Eker later purchased that 120,000 sq.ft. club for an undisclosed sum. Behan and Eker contracted for four Ray Wilson Healthy Exercises Franchises for Alaska's four biggest cities and now are the Alaska Franchise brokers for both Healthy Exercise and Figure Magic. Behan also contracted for four Healthy Exercise franchise locations in Washington state and two for Arizona and he is now the broker over Washington, Oregon and Arizona. Wilson says he would like to broker each state and some states like California, Illinois, Michigan and New York, divided into multiple areas and all of Canada's provinces. Ray Wilson says that he and Tom Behan think so much alike that he has approached Behan on the possibility of joining him and Joe Ochoa in their parent company to help blast this project off.

Extensive and Rapid Worldwide Interest In Ray Wilson's Healthy Exercise

In addition to several dozen other individual franchises that they are working on, Ray's company previously completed a deal with the Steve Trapilo group for ten Healthy Exercise clubs in the Boston area. Steve's group is now the franchise broker for the New England states plus Florida. Ray says several other Regional multi-club operators have contacted him. In addition to the several dozen other individual franchises, Ray's company has completed exclusive brokerage agreements for Egypt, Jordan, Syria, India, Kuwait, UAE, Lebanon and Israel and is working on deals in Germany, Malaysia and London.

A possible player, Daniel Eskinazi, is flying in from South America to discuss a deal. (He wants to do a joint venture in Brazil). Ray's ex partner in Asia, Eric Levine, has met with Ray and Eric is going to open the Healthy Exercise clubs in Asia starting in Bangkok, where Eric presently lives. Ray has also been contacted by three different groups of multi-club operators in Canada who read his ad in *The Club Insider News*.

Ray says he is discovering that people throughout the world and not just in the U.S., are aware of this deconditioned market potential. He says that by providing leadership for the industry, he, Steve Trapilo in Boston and now Tom Behan and Andrew Eker in Alaska and the West Coast are being the early catalyst for his goal of 10,000 Healthy Exercise type clubs and the small coed "Healthy Exercise" movement is rapidly gaining momentum.

"Healthy Exercise" Picking Up Momentum FAST!

Wilson compares this early momentum he is witnessing to the movement to Lifecycle when he and Augie Nieto and Don Wildman became the catalyst. That early Lifecycle charge was hugely accelerated when Bally Entertainment bought Lifecycle and it really blasted off.

Wilson also said that some of the larger clubs in America are purchasing circuit equipment for their existing clubs and are installing the equipment in areas dedicated to the de-conditioned in their clubs. Wilson feels this is clearly better than continuing to ignore the de-conditioned. But, in his opinion, it won't work as well as the small "Healthy Exercise" clubs for a couple of reasons: 1) many of the de-conditioned are too embarrassed and intimidated to even walk into the large imposing clubs and 2) he suspects that the de-conditioned may feel guilty, cheated, or like wimps when all they do in the large clubs is the 30-minute workout, while everybody else is using the full facility and are spending an hour and a half or longer working out. He suspects that this could lead to "pre-mature burnout" for some of these de-conditioned people who may try to move into full facility use too soon and before they are ready, thus causing them to burn out early and be turned off, when what they really need

is at least six months of 30-minute "Healthy Exercise" workouts. Helping the "intimidated and/or de-conditioned avoid the temptation to do too much, too soon, is one of the biggest selling aspects of the "Healthy Exercise" clubs. He is concerned that it could be more of the same, too much, too soon causing burnout and early drop-outs when the de-conditioned is constantly exposed to the full facility when they should be sticking with the dedicated space for the de-conditioned. In the past, this same syndrome has resulted in millions of member drop outs in the health club industry nationwide. By installing small satellite "Healthy Exercise" clubs strategically placed around their bigger clubs, Wilson says the bigger clubs will have even greater results with the vast untouched de-conditioned markets because everyone will be doing the same half-hour circuit program and nothing else. Experience in Wilson's Temecula, California "Healthy Exercise" test site has proven that when the members finish their half-hour workout, they love it and realize that it really is a great workout. Several Temecula members have made comments to Wilson like: "That was a really great workout, and in just a half hour! I can do this the rest of my life!" Wilson says that before disbelieving this 30-minute circuit workout, you should try it. Wilson says when he pushes himself on the 30-minute workout, it is as good of a strength/cardio workout as he has had in years. A personal trainer from Powerhouse Gym located across the street came into the Temecula location to "put the concept down"; she instead gave up her personal training job. She is now a counselor at Healthy Exercise.

Wilson believes strongly that "Healthy Exercise" is what the de-conditioned masses need and how we all should want these de-conditioned masses to feel. He envisions the health club industry in America being able to attract 25% of the American and Canadian population to become involved, thus doubling the estimated 34 million that are now members of commercial clubs, YMCA and JCCs in America. But, Wilson says, "Who knows how high it (the penetration of the de-conditioned market) can go as we ARE talking about over 87% of the U.S. population that are currently NOT OUR MEMBERS!

"Healthy Exercise" - A New Membership Pipeline For Big Clubs

Wilson also strongly emphasizes that involvement in membership in a "Healthy Exercise" club is just the first step. He is convinced that a significant percentage of these de-conditioned members will lose weight and get in good enough shape that ultimately they will want to graduate to a big club that offers the full lines of cardio, selectorized strength and free weight equipment. In effect, Wilson believes that "Healthy Exercise" clubs can become a huge "health club industry new member pipeline" for years and years to come. A pipeline that feeds more qualified, more likely to stay, more dedicated to exercise, formerly totally de-conditioned club members into clubs that they never would have set foot in prior to their training in a "Healthy Exercise" club for six months to a year. In essence, Wilson sees this "Healthy Exercise" Phase of his career as the greatest opportunity for both himself personally, and for the worldwide health club industry, he has ever seen in his 52+ year career. Wilson believes that with everyone going after this small (20%) segment of the market ("hard body"), that there are now too many large clubs and that there is a possible danger of running out of "hard body" club prospects. Wilson says our industry is recession proof, if we do not create our own recession. Wilson says "if we do break into this 80% market, we can educate these deconditioned people on fitness and a significant

percentage of them will eventually be converted to the large "hard body" clubs. Wilson says that "Healthy Exercise" can be the "Farm League" for the "Major League."

One other major benefit of Ray Wilson's "Healthy Exercise" movement is that the health club industry worldwide will finally be fulfilling our purpose of making a real impact on the health of many millions of de-conditioned people who are the ones who need it the most. The medical profession and the Surgeon General are pushing healthy exercise for this "intimidated and/or de-conditioned" millions of potential members and they are not pushing the current health club 'big box' model that currently seems to be in a "rethinking" phase. In Ray Wilson's "Healthy Exercise" movement the industry will finally be able to use the concepts of easy going, short, but effective "Healthy Exercise" for the de-conditioned as opposed to the "Hard-Body" exercise and environments that have to date proven only one thing: that they are NOT the answer for the "intimidated and/or de-conditioned" masses. STAYTUNED.

(Norm Cates, Jr. is the Publisher of *The CLUB INSIDER News*. Cates, a 30-year health, racquet and sportsclub industry veteran was the 1st President and a Co-founder of IHRSA in 1981. Cates was honored by IHRSA with its DALE DIBBLE Distinguished Service Award in March 2001. Cates may be reached at: 770.850.8506 or by email: clubinsidernews@mindspring.com)



Ray Wilson at Age 65



Ray Wilson at Age 75

Correction

Last month we erroneously published Ray Wilson's Age - 65 photo with Age 75 under it. Ray pointed out our mistake and we apologize for the error. See his age 65 & 75 photos here.

...10 Years

continued from page 4

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I also want to tell you this. That is we **NEED** your subscription support to move into our next 10 years and we would sincerely appreciate your business. Think of it this way. Would it be worth \$99 or \$79 per year to **help PROTECT THE FUTURE** of the industry you've chosen to be in? If you are not nodding **YES** to that question, then consider this question: Would it be worth \$99 or \$79 per year to find just **one idea** that might bring **\$25,000, \$50,000, \$75,000 or \$100,000 or more to your club's bottom line?** I am not

sure how anybody reading this could say no to that question. So, let me close this comment by saying a **HEARTFELT THANKS** to all of you that *have* sent in your subscription money over the years since 1993 when we charged just **\$49 per year**. The **value** of The **CLUB INSIDER** News keeps **going up**, but **so do our U.S. Postage and printing costs**. So, I am announcing a subscription rate increase beginning November 30, 2003, when our subscription rates will increase to \$109 for 18 months and to \$89 for 12 months. That is not a big increase, but a necessary one. Again, thanks to those of you that have **contributed your subscription funds** each year or 18 months. And, to those of you that do not, please seriously consider joining The **CLUB INSIDER** News Team and **receiving this publication EVERY MONTH** by paying for a subscription. You will be very glad you did. And, I will make the following offer to any and all of you. If after the one year or 18 month term of your subscription has passed and you have read every issue every month, if you

are **NOT SATISFIED, I WILL GIVE YOU ALL YOUR MONEY BACK IF YOU JUST PICK UP THE PHONE AND CALL ME PERSONALLY AT: 770. 850-8506**. Yes, I am offering each of you paid subscribers out there a **MONEY BACK GUARANTEE** if you are not satisfied. (This offer begins today, October 14, 2003 and is valid for any and all subscriptions received from this date forward. The Money Back Guarantee Offer is **NOT RETROACTIVE** And Does Not include group subscription purchases).

"Telling-It-Like-It-Is"!

I just returned from the Club Industry Show in Chicago and I had several conversations with club business people about our "Tell-It-Like-It-Is" editorials. I want to make it clear to you all that when I write about happenings or events that are detrimental to our industry, I am not seeking to personally hurt or damage anybody. Nor, am I speaking alone or just for my self. I am speaking on behalf of all of you out there that are operating

your clubs in a legitimate, stand-up, and fair manner in your community. I am not alone in this endeavor and if and when I conclude that I am ever doing anything to hurt this industry (not help it), I will immediately pursue another line of work. The bottom line is this. This is a lonely, tough seat that I sit in, but I do not write such commentary without significant support for it. I sit here with love and affection for all of you out there that are helping your members better their existence on this planet. Believe me, your members need and appreciate your presence and your dedication and the love you give them every day. And, I can honestly say that even though some operators get headed in the wrong direction, they too are still serving thousands of members well, and they too are honorable in respect to what they are doing. They are just temporarily misguided. Whenever I make any "Tell-It-Like-It-Is" comments, it is because I and many others in the industry believe they are strongly warranted and that attention must be paid to whatever it is they are doing that

might be detrimental to our industry. I repeat, I am never alone in this endeavor of speaking out when necessary. But, I do so strongly when I believe someone or some organization have made some mistakes yes, maybe unintentional and maybe intentional. But, at least they are out there making something happen in the world of health and fitness and I applaud them for it and I applaud all of you. You all are changing people's lives for the better, day in and day out, year in and year out.....and you should have a wonderful feeling in your hearts and souls for that. Thanks to you all for being the really great people you are. It has been my true and wonderful honor to serve you these past 10 years and I thank you from the bottom of my heart for reading and supporting The **CLUB INSIDER** News! God Bless You All.

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...World Gym

continued from page 3

had a great physique and in fact, we were within a month of each other in age, but when he was 13 he had a man's body already. We were tumbling and working out. I was working out too, but I didn't know that much about working out. I would take a big sledge hammer and swing it at a big giant tire. Then I took up the weights. We made our own little home gym. I had a big garage in front of my house in our neighborhood on City Terrace Drive in East Los Angeles. We called it "The Dugout", don't ask me why. Many of the old guys that are still alive still remember the old "Dugout." Not too long ago I got together with Harold and another buddy, Bob Tucker. The three of us were inseparable. Harold was

in the Navy as a Chief Petty Officer. Bob Tucker went into the Marines. And, I went into the Coast Guard, which is part of the Navy. Anyhow, we all ended up in the ocean. At the end of the war there was only one place to go and that was "Muscle Beach". It was just a beautiful time in a beautiful era where all the guys were working out in the sunshine. At the end of the war they gave us \$20 per week for 52 weeks to get ourselves rehabilitated and to find a job. I took all the \$20. We called it the "52/20 Club." Everybody was proud who ended up with a full year.

Q. Tell me about your friendship with Governor-elect Arnold Schwarzenegger; we are all so proud of Arnold!

A. Well, so are we. Arnold was a

very unusual kid when he first came over. When he first arrived he didn't know about Gold's Gym. I started Gold's Gym in 1964 and opened in 1965. If I recall correctly, Arnold came over in 1968. There were actually two gyms at that time that were the muscle gyms. One was Vince Gironda's Gym in North Hollywood and then there was my gym. Vince had a gym since the beginning of time. He's not with us anymore. Arnold went over to Vince's gym because he didn't know about my gym. Joe Weider told Arnold about my gym. I met Arnold about 1969 when he came to my place. I looked at this kid, a great big, good looking kid, healthy, a little on the smooth side. I used to call him "Balloon Belly". I had a nickname for all of them. It wasn't very long before he changed. He changed from a "Balloon Belly" to a hard, ripped up muscleman. He had a personality. He had charisma about him. Arnold was outstanding. When Arnold would come into the gym, the whole gym would take a lift. It was in the air...Arnold would energize the whole place when he came in the door!

Q. What's it like having your name, Gold, and your chosen company name, World Gym, on over 1,000 health clubs around the world?

A. I think I was just lucky. When I sold my original Gold's Gym in 1970, I wasn't making any money in the business. Basically, you had to square off and fight to get your money. I didn't really make any money, but it was the "love of the game." I had to prove to myself that I could build that gym and build a better gym than anybody else. And, I accomplished that. After 5 or 6 years I realized I was not making any money, so I sold my Gold's Gym and went back to sea. I was a Merchant Marine. From 1948 to 1978 I sailed for a living in between doing stunts and bit parts in the studios and developing, operating and eventually selling my Gold's Gym. When I got a few dollars ahead, I invested in my original Gold's. Not being too smart, but just being lucky, I'm ahead of the game. What they have done for me, without even knowing it, they kept the name Gold alive. Everybody thinks I still own the chain of Gold's Gyms. It is still a very confusing thing to most people. It has worked out to my

advantage. Now, like you say, my name or my chosen name (World Gym) is on 1,000+ gyms and I am getting all of the publicity and I'm not doing anything for it. That's the way I look at it. That's a good deal!

Club Insider- Well, Mr. Gold, I think you've done an awful lot for our country and our industry and I, for one, want to thank you. I also want to tell you that you have a hell of a guy there working with you, Mike Uretz. The man is sharp!

Mr. Gold - Well, that's kind of you. If you were living at that time you would have no choice either. I'm proud to have served. At the time, you don't think that way. You think, 'I'm in this predicament over here. I'd love to be back home. But, you had no choice. You had to do your job. You were given a job and you had to do it.'

*An Interview With Mike Uretz,
 CEO, World Gym
 International, Inc.*

We also had the opportunity to speak with Mike Uretz, World Gym International, Inc. CEO, and this interview contains a historical review of World Gym from the founding days up to the present.

Q. "Mike, where are you originally from and what is your educational background?"

A. I was born and raised in Chicago, graduated from the Harvard School for Boys and New Trier High Schools, Denver University for Undergraduate and I graduated from DePaul Law School in Chicago. I graduated from DePaul in 1966 and came to California in 1970 and passed the bar out here.

Q. How did you first get involved in fitness?

A. When I moved to California in my early 20's I became very interested in ocean sports, body surfing, boogie boarding and ocean swimming. I had been there for a couple of years when a cousin of mine came out to visit, and as it was almost winter time he asked me what I was going to do for exercise during the cold weather. I said, 'The usual, running on the beach.' He asked me if I had ever been to a gym. I said, 'I've been inside a gym.' He told me I had to come down to this place he was going to. So, I went down to his gym, and it was the Gold's Gym on Pacific Avenue

in Venice Beach. I went into the gym and at first I was flabbergasted because I could not believe the people there; Arnold was there, Ken Waller, Franco, Ed Giuliani, Dave Draper, Roger Callard, Zabo Kozewski, Joe Gold. It was bizarre, but it was interesting. While these guys looked funny to me at first, I realized how hard they worked in the gym. It infected me. I started to work out and I really started to like it. The reason I became acquainted initially with Joe Gold and some of the other guys was that in those days lawyers did not work out in gyms like that. Lawyers all went to the big athletic club downtown. Somehow the word got around that I was a lawyer. All of these guys had legal questions, but not much money. So, they would come to me and we'd talk about their particular little problem. Generally, it didn't amount to more than a minute of my time, so it was no problem. But, one of the guys that wanted to talk to me was Joe Gold. He had a question about the fact that he no longer owned Gold's Gym. He said, 'I'm a seaman at heart. I like to build gym equipment. And, I just like to be a free spirit, play volleyball and go to the ocean to swim.' That resonated with me because that was my kind of guy. And, we became friends. I trained in 1972 up until 1975 when I stopped going because I didn't like the direction it was going at that time.

Q. So, if you were no longer going to Gold's, how did you end up in the business and now the CEO of World Gym International, Inc.?

A. In 1976, about a year later, one day I was driving down Main Street and I saw a sign that said: GYM. I had no idea what it was, but it was a second floor walk up in Santa Monica. I walked up and there was Joe Gold. He had just opened up what would become known as World Gym. He didn't have a name yet. He settled on a name that he thought would be universal, World Gym. Of course, all of the stars of body building came over there immediately. They knew it was his custom equipment that he had built and that he had opened up another gym. It was 2800 square feet and he added an outdoor 800 square foot mezzanine where people could lift weights out in the sun. It was a very exciting thing at that time to have Joe Gold back in the
 (See World Gym Page 26)



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A F F I L I A T E D A C C E P T A N C E C O R P O R A T I O N

The Role of the Membership Representative in Membership Retention

By: Karen D. Woodard

If you have read my articles in the Club Insider, you know that my perspective is that the membership sales department's role is to get and keep members. I recognize that some of you agree with me, but I am not so sure that everyone knows exactly how to accomplish that mission. This article will briefly outline a few tools for your club to implement to do just that.

1. Review your membership sales staff job descriptions. Is it entirely focused on new sales only or is there an expectation that your reps will build their pool of memberships and develop an on-going relationship with these members? When I refer to an

on-going relationship, I am referring to regular calls to members to invite them to club functions, update them on club programs or simply call to check and see how we as a club are serving the member's needs. Is there a daily expectation of current member calls that need to be made and is anyone following up on it? Have you trained your reps how to handle those prickly situations that might arise during those calls? Is there an expectation that your reps attend all club functions as ambassadors of the club and to further develop relations with attending members? If your membership reps become defensive when you try to implement these tools using the reasoning of "we're too busy to do those things", then you

need to consider adding one or two additional reps. The membership reps will become further agitated because they will have bought in to the "shrinking pie theory"; however, there is an interesting reaction that takes place by implementing these changes – referral sales start to increase because your members are being taken care of and they know to whom to refer their friends.

2. Implement Dollars from Day One with the Membership Sales Staff. Dollars from Day 1 is a retention tool that also includes a referral-prospecting tool. Here is how it works: The very first day of every month each membership rep will call all the members he got started in the previous month. For example, on October 1, he will call all the members he got started between September 1 and September 30. The conversation will sound like this:

MR: Bob? Hi! This is Karen from the club. The reason for my call is that I wanted to make sure you are finding everything and that you are enjoying the club. How is the club working for you?
Bob: Oh man – I love the club! It's the best thing I've done in a long time. Thanks for checking in on me.

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

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

MR: It's easy. All you do is refer a friend who joins this month and it's yours. The promo goes until the end of the month so I wanted to give you plenty of time in case you wanted to get involved. Is there anyone you'd like me to call for you and extend an invitation to the club courtesy of you?

Bob: Yeah, actually I have a few buddies who would be interested. Their names are _____, _____, _____ and their

phone numbers are...

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

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

3. Schedule MBWA Two Times Per Day for 15 Minutes Each. What the heck is MBWA? It is a term that was coined in the early 80's by management guru Tom Peters. It is almost twenty years old, but the principle is timeless and the results are priceless. MBWA is an acronym for Management By Wandering Around. How does this apply to the membership sales staff? Well, they are managing member relations, aren't they? To do so, don't they need to be out in the club talking with members regularly? It is way too easy for sales staff to get stuck in their office and only get out when they are giving tours. By doing MBWA two times a day for 15 minutes each time, they have an opportunity to meet and talk with members and create stronger relationships. The benefits? Getting to know a larger number of those members that none of the staff talks to, finding out what the members are really thinking and wanting, inform members about what is happening that they are neglecting to notice or participate in in the club, increased referral opportunities, and on and on.

A few pointers to keep in mind when implementing this program:

- Avoid talking to the same people we always talk to. Equally introduce yourself to those you don't know.

- Set a goal for the number of Members you will meet and talk with.

- If you are not good at remembering names, keep a notebook handy and write the names down of the people you spoke with and little bit about them. (Don't do this in plain sight



Karen Woodard

– you might look a little creepy.)

- Have a list of things prepared to discuss to encourage conversation – club events, programs, etc.

- Recognize when a Member does not want to talk and gracefully close the conversation for now.

- Recognize that it is not appropriate to go up to members you do not know and ask them for names of friends to join – they will likely avoid any future contact with you. (Referral tables can be set up for that.) Build the relationship first; then it will be OK to work that into another conversation down the road.

- Hit all areas of the club.

Remember, our primary goal as a business is to get and keep members. The membership rep starts the relationship and needs to maintain it. The retention tools discussed in this article a win-win proposition in that they will unquestionably increase your club's retention as well as membership sales. Knowing that, what is holding you back from achieving a higher level of success? Implement these tools today and you will see a quick return.

(Karen D. Woodard, President of Premium Performance training in Boulder Colorado is an international author, speaker and consultant. She has owned and operated clubs since 1985. Karen provides successful on-site marketing, sales, service and management training and consulting to clubs. Additionally, she provides on-line training, books, manuals and audiotapes for staff training. She can be contacted at 303.417.0653 or Karen@karenwoodard.com)

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KING OF SMALL BUSINESS TO HEADLINE IHRSA

Jack Faris, the President and CEO of the National Federation of Independent Business (NFIB), one of the most powerful business coalitions in the country, has been signed as one of the featured speakers for IHRSA's 23rd International Convention, which will be held in Las Vegas next March 22-25.

The NFIB, which has worked with IHRSA on several initiatives, bills itself as the largest advocacy organization representing small and independent businesses in Washington, D.C., and in all 50 state capitals and has the track record to prove

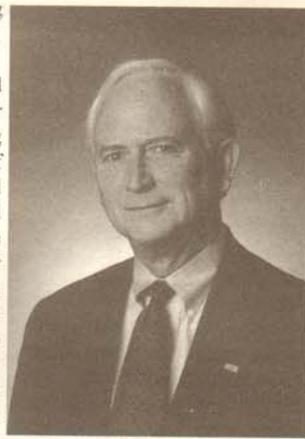
it. Last year, 228 of the Congressional candidates that were endorsed by NFIB were elected, helping to increase the pro-small-business majority by seven in the House; and, in the Senate, two pro-small-business seats were picked up. The organization's success led Fortune magazine to rank NFIB as the most influential business organization (and third overall in the magazine's annual survey of "Washington's Power 25.")

NFIB is now lobbying aggressively on behalf of a number of issues e.g., from fair competition to healthcare reform that directly affect small

business. "When small business is forced to compete against the government or on an unfair playing field, it's downright insulting," proclaims the group's Website. "Main Street needs a voice fighting for a truly free market." Faris, who has provided just such a voice for more than a decade, reports that, "We'll be pushing hard for healthcare reform. The 108th Congress must help us make health insurance more affordable through association health plans. We want to make permanent the tax cuts of 2001 and 2002." On the state level, Faris notes, NFIB is working hard to fight tax increases prompted

by "dwindling revenue, rising healthcare costs, and shrinking unemployment funds."

Faris' convictions and experience make him a natural for his NFIB position. Before joining the organization as its Chief Executive in 1992, he had worked in the banking industry, served as the Campaign Finance Director for Tennessee Governor Lamar Alexander (in 1978), and as the Executive Director of the Republican National Finance Committee (1978-1981). For 12 years, he had also owned his own marketing and management consulting firm, working primarily with NFIB-type businesses.



Jack Faris

IHRSA Trade Show & Keynote Speakers All World Class

*The IHRSA Trade Show:
 The Industry's Biggest
 Specialty Trade Extravaganza*

More than 350 companies will commandeer more than 140,000 square feet of floor space during IHRSA's 23rd annual International Convention in Las Vegas, once more making the association's trade show the

premier buying opportunity for industry products and services. All of the major fitness equipment manufacturers will be exhibiting, and so, too, will many companies specializing in apparel, aquatics, facility maintenance, building and grounds, food and beverage, and spa goods and services. The trade show will be open for a total of 16 hours, over a three-day

period, so attendees will have plenty of time to confer with exhibitors and make their purchases.

**KEYNOTE SPEAKERS
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IHRSA is stacking the deck, on your behalf, with some

of the most sought-after speakers on the lecture circuit. Each day of the convention will kick off with a keynote address by one of the "ace" presenters who are profiled, briefly, below. Look elsewhere in this issue of CBI for an exclusive interview with former New York City Mayor Rudolph W. Giuliani, and, in upcoming issues, for articles on

Daniel Goleman and Bill Novelli.

**Rudolph W. Giuliani,
 Chairman, CEO, Giuliani
 Partners "Leadership"**

As the mayor of New York City, Rudolph W. Giuliani polished the Big Apple, making it a shining example of urban
 (See IHRSA Convention Page 22)

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im'pact *n. collision, resulting effect; consequence, impression*

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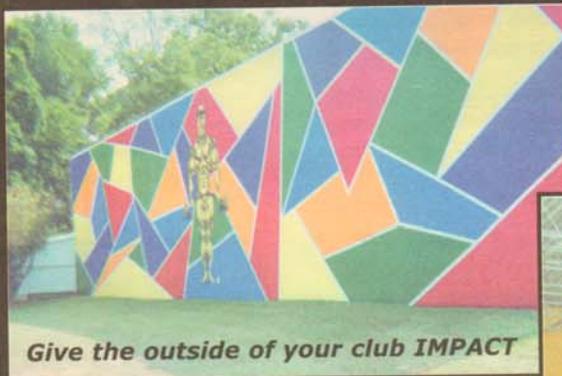
Give your locker rooms **IMPACT**



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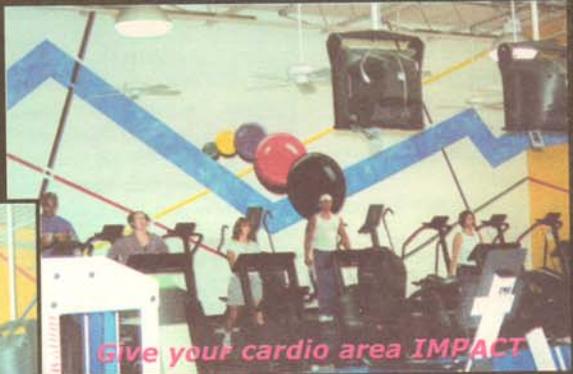
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Al Phillips, Owner of 5 World Gyms, Chicago, IL

We've used Carlos Dixon and his people at IMPACT DESIGN, Twice...And each time they've come through with "Flying Colors"!

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



Give your cardio area **IMPACT**

Our club was a year old and we had plain white walls. After IMPACT worked with us on our logos and some exciting colors in the daycare and aerobics rooms our new member numbers increased and our retention rate has been incredible. We should have done this sooner.

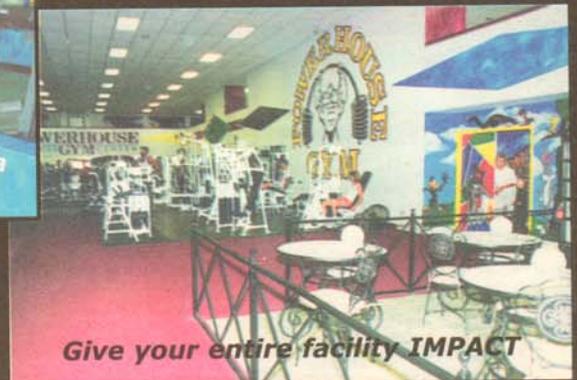
Velvet & Chris Eidson: Owners of World Gym, Jacksonville, FL



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“small is GREAT!”

By: Michael Scott Scudder

(An exclusive column featured only in “Norm Cates’ Club Insider News” – written primarily for the small club sector of the health and fitness industry)

“small WORDS – BIG ADVICE – DON’T TRY TO COMPETE ON PRICE”

It seems as though every now and then in this business, we have to “invent the wheel” once again! This decade appears as though it’s going to be “spa wars revisited”... and the accompanying upset, angst, heartache and indecision that price-bashing inevitably brings.

Nobody gets more trapped, more duped, more sucked-in when this happens than the small club operators who make up some 75% of our businesses in this industry. I first witnessed it in the early-80’s, then in the 90’s when the big-box and chain players made their initial splashes in our marketplace. Well, here it comes again...and what will you do if you’re a small club operator?

THE EXPERIENCE OF THE PAST:

•Chains came in and sold multi-year memberships for low dollars (the most prevalent being \$19 a month), often offering “no money down” as an inducement to join.

•Independents, especially smalls, reacted by dropping prices and often lowering or completely eliminating initiation fees, in hopes of competing with the bigger players.

•The Result? A gradual slow-death syndrome, the end consequence being the closing of hundreds of “Ma-and-Pa” gyms around the country. (The numbers of health clubs essentially did not grow from 1987-1991. Those being built replaced those going out of business.)

WHAT APPEARS TO BE COMING:

•The re-emergence of chain-induced lowering of prices (in many areas of the U. S., I see \$19 a month as the standard offering, no-money or low-money down as the teaser.

•I am getting a record number of calls and emails from small operators with five, six, eight years under their belts, asking what they can do.

So, this month’s column is an attempt to give you some solid strategy to be able to compete. You may not like some of the advice. (Often, the medicine needed to get healthy again tastes and feels worse than the illness...but that’s always temporary!)

RULE 1: YOU CAN’T COMPETE WITH LOWER PRICES, DON’T TRY!!

These guys generally have much bigger marketing pockets than you do...they know what they’re doing...like it or not, you’ve been lucky to this point. Now you’re in a fight with Goliath...and you’re David!

But it ain’t fair! Who says life is?

A classic example of price-competition is WalMart.

They come into a town with volume-driven more favorable pricing and drive a bunch of independents out of business. I’ve seen it in upstate New York, in Tennessee, on the west coast, in Ohio, and in my own town of Taos, New Mexico.

But you know *who* they drive out? Poor players, owners who never distinguished their businesses, people who never reinvested, operators who started with a “build-it-they-will-come” philosophy and never changed. Sound familiar? That’s our industry in a cameo!

My friend Norm Cates (Publisher of this great monthly newsletter that I am privileged to be featured in) wrote me a great email when he found out that I was going to do this piece for my monthly column. Norm says: “**In my view, clubs that have tough competitors in [their] market like [name of a chain] need to focus on making their clubs better. Not on utilizing their energy and resources trying to stop something that nobody in America has yet EVER STOPPED. That is competition! Michael, it is tough as hell to compete long term in any business in America and I can’t find anyway where competition can be legally stopped or altered. I think we all realize that everybody in the club business today will not be in the business in 5 years.**”

RULE 2: FIND, OR ESTABLISH YOUR NICHE... AND RUN WITH IT!

I know – you started your business thinking that your gym would be everything to everybody. That was your marketing plan.

That plan last worked in the 1980’s when we had two markets for club memberships: 1) already-interested fitness buffs; and 2) everybody else. (“Everybody else” pretty much consisted of people from ages 25-40 who had a mild interest in exercise and had started coming into clubs to see about getting a program together...and the *other* “everybody else” were tennis and racquetball players, who took care of themselves!)

Today’s average fitness marketplace is divided into at least seven, if not more, segments:

•Fitness-interesteds,

ages 22-50. Represent about half of the thirty-six million fitness facility memberships today. (Better than half of this half are over age 35.)

•Generation Xers, ages roughly 30-40.

•Generation Ys, ages roughly 18-29.

•Early mid-lifers, ages 41-50.

•Mid-lifers, ages 50-65.

•Masters or silvers, ages 62-70 (they are *not* seniors!)

•Seniors, ages 70 and above.

Add to the above children under 17 (in several groups, by the way), and you see why *no club can be everything to everybody!* So why do you try? Bally’s doesn’t...it niches. 24 Hour Fitness doesn’t...it niches. TSI doesn’t...it niches. TCA doesn’t...it niches. Are you getting the message?

Steps you can take initially:

•Do a new demographic study of your marketplace...look to see what the two or three dominant age-and-income groupings are – you will have to go after one of these big-time.

•“Dummy tour” all competitive facilities within twenty minutes of your club. Do these tours at “peak times” (7:00AM, noon, 6:00PM, Saturday morning). See *who* is in the clubs and *who* is *not*. (The “who is not” may just be your emerging market to niche! That’s called a “hole in the market.”)

•Concentrate your efforts on making your club as presentable as possible to this niche or these niches.

•Make extra efforts to re-train staff to serve this new clientele. If you have to, hire new staff at the age-appropriate levels to satisfy this niche.

•Make a major improvement in the physical plant and/or in programming.

•Begin to move towards personal training and group training as your best non-dues profit centers.

•Up your prices by \$2 to \$5 a month after you have done the above. (Best times of year to change prices? October and January.)

RULE 3: IF YOU HAVE NOT FOLLOWED THE GUIDELINES IN RULE 2, AND YOU HAVE A HIGHLY COMPETITIVE MARKET AREA...KEEP



Michael Scott Scudder

DOING BUSINESS THE SAME WAY YOU HAVE BEEN DOING IT UP UNTIL NOW...AND GET READY FOR YOUR EVENTUAL “SORRY, I HAVE TO CLOSE MY DOORS” PHASE.

Save some money for some flowers. They’re for your business’ funeral.

This is one of the most competitive times in my twenty-eight years in this business. It was inevitable. It comes with the maturation of an industry. It does not stop, or get better. You have to change...or die.

I hope the above is useful to those of you who really want to stay around. For those of you who don’t, or think I’m a crackpot, you stopped reading before you got to here, anyway!

Next month I will address the all-important issue of “Membership Retention in Small Clubs.”

Until next time – MICHAEL SCOTT SCUDDER

(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 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.)

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FACT:

64.5% of Americans are Overweight and that number keeps rising.

QUESTION:

So, why is it that only 12% of ALL Americans are health club members?

ANSWER:

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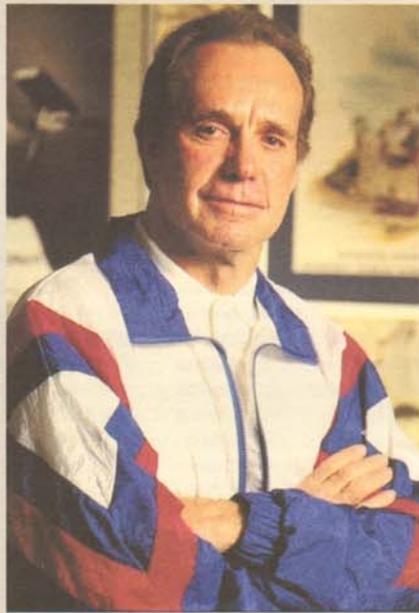
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Over the course of my fifty year "plus" career in the Fitness Industry, I have managed to stay ahead of the pack by recognizing the needs of the people and the times in which they live.

In the 1950's, Vic Tanny and I created gym chains. In the 60's and 70's, I created spas which the majority of the industry copied for over 20 years. In the 70's, I also designed the world famous Lifecycle Exercise Bike, which has been used by more people in fitness centers than any other exercise bike. In the 1980's, I created and developed Family Fitness Centers of Southern California and Western America. In the 90's, I created Ray Wilson's California Fitness Centers in Asia. The whole fitness industry has pretty much catered to the intimidating "hard body" market, leaving 80% of the market really wanting fitness, but no place to go! My new half hour, 30 second workout will now bring fitness to this huge market.

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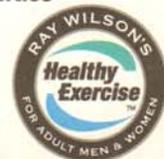
Saturday 8:00am-Noon • Closed Sundays

Hours may be increased at the option of the operator.

Franchise fee - \$19,995

Includes 16 Stations

Monthly Royalty fee - \$395



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Saturday 8:00am-Noon • Closed Sundays

Hours may be increased at the option of the operator.

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Franchising, Licensing, entering a Joint Venture, purchasing or just buying Exercise Equipment...



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No longer intimidating.

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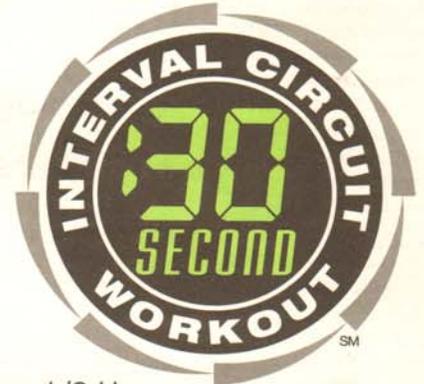
90% of Franchises remain in business. (US Department of Commerce)



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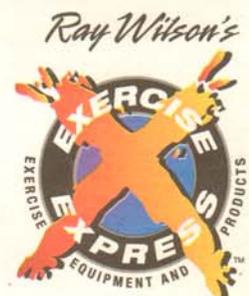
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“WOMEN’S-ONLY” FITNESS

By: Cecil Spearman

The “women’s-only” fitness market has been an enigma to many, many investors and operators in the fitness or health club industry for many years. As early as the 1950’s, entrepreneurs were looking at this vast market with great interest. Lucille Roberts started one of the first women’s-only salons and built up a large chain in the East. Her success brought others into the specialized marketplace by offering “figure salons”, and later there were many attempts to open “spas” that catered to only women. Spa Lady in San Diego opened many locations very quickly and closed them about as fast as they were opened. Spa Lady on the East coast also opened fast – and closed fast. Women’s-only “spas” were a major cause of the bad reputation health clubs had in the ‘70’s and ‘80’s. These “spas” simply advertised more than they could deliver, and they almost always became overcrowded and then membership declined and they closed.

Other chains opened and closed, and when the aerobics craze hit in the late 70’s, many small women’s-only clubs opened with a big aerobics floor, nice locker rooms and some cardio equipment. These clubs lasted longer than the “figure salons” such as Spa Lady, Slender Lady, Venus de Milo, Exclusively for Women, Pam’s Figure Salon and Mademoiselle Figure Salon. These clubs stayed open longer but ultimately almost all of them failed and closed. The failure and closure of these aerobics-driven women only clubs was due to charging dues that were so low it was necessary to oversell the membership to keep the doors open. Once the overcrowding started, failure and closure were only a short time away. Many members lost the money they gave the club for pre-paid memberships when the clubs closed.

Now we are seeing a new version of the Spa Lady, Slender Lady figure salons. Except this time, the clubs are opening as a franchise. Many of the clubs are being opened and built up, then sold for a quick profit to someone else who may or may not be able to keep the doors open down the road. It is too early to know if an “express

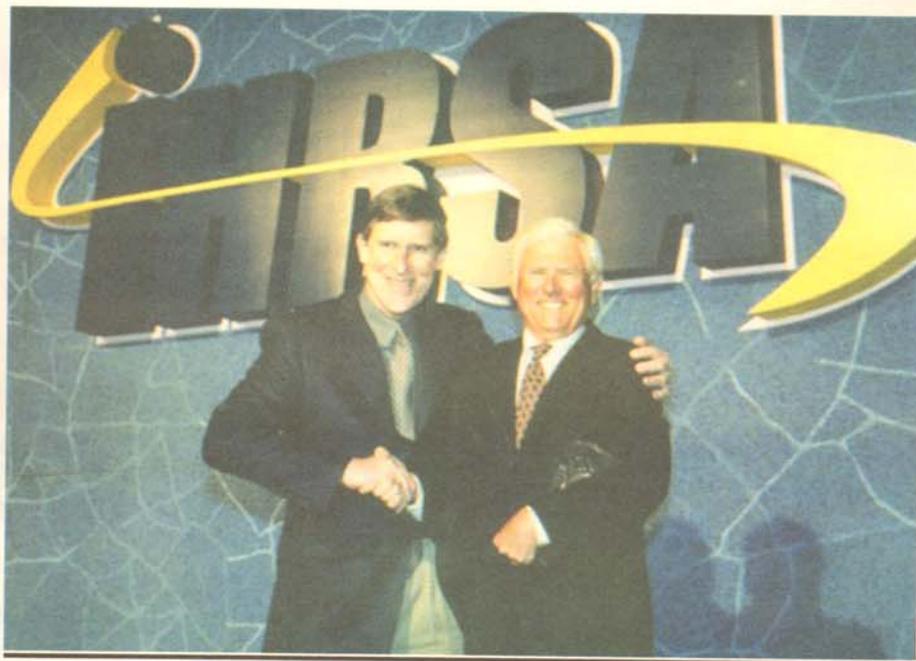
workout” club with low cost but bare bones equipment will survive. But, if history is any example, this current trend will go the way of the women’s-only spas. Open, fail to deliver results and close as quickly as they open.

When the spas or aerobics salons for women opened and closed, it was the public who got burned as many people paid for yearly memberships only to have the club close a few months later. Now the trend is for a buyer of the franchise to build up the membership and sell the franchise for a quick profit.

I don’t have specific figures, but I suspect there have been more “women’s-only” facilities open and close than any other type of club. Now that there are so many curves open and now that imitators are coming along, I predict we will see many more closures among the low-cost, low-overhead outlets catering to women. Only time will tell, but there is a history of opening and closing women’s-only clubs. If you do not deliver results, the women will leave as fast as they join.

The biggest revelation to note from the tremendous success of Curves is the fact that the market for Women’s-Only is immense. There are many women, especially those women born before 1970, who greatly prefer to work out in an environment of only women. I have felt this was true since 1985 when I bought a small, women only gym in Laguna Beach called the “Girls Gym”. This was basically an aerobics studio with locker rooms, massage, waxing, nail treatment and a small workout area with a few Lifecycles and some dumbbells. The parking was limited, the monthly dues too low, and the club was break-even at best. We sold the club in 1989, and we felt relieved to find a buyer. The “bigger fool” concept worked for us at the GIRLS GYM as we did find a buyer.

We then bought a small chain of women’s-only clubs in San Diego called Body Works. Again, they were mostly aerobics, massage and a small amount of equipment for cardio and strength. The 3,000 square foot club was payroll intensive, and hard as we tried, we could not make a profit from these small clubs. The concept (i.e. women’s-only) was sound, but



John McCarthy (L) With Cecil Spearman
 IHRSA’s Distinguished Service Award Winner - 2000

we were struggling to find the right formula. We closed three small women’s-only clubs as the leases ran out and moved the membership to a larger club.

We then built a 10,000 square-foot club on Interstate 8 in San Diego and put in a great aerobics room, now called group exercise, and lots of cycling equipment, many treadmills, and Life Fitness equipment. A full-service beauty salon is available. We did very well with the club as we were able to get the dues up comparable to co-ed clubs, and we felt we were on our way. Then a competitor opened a women’s-only club very near us, and we did not raise dues. Failing to raise dues was a big mistake. Thus after 5 years we were once again payroll intensive and losing money. We had to have the services and people to help our members get results, and the high payroll hurt our profit.

After much study, analysis, planning and review, we came to the conclusion that we had been on the wrong approach to providing service to this immense, women only market. We were not offering our members enough different services. We were relying too much on group exercise and did not have enough machines, cardio or strength, and we did not have a studio for programs like Pilates, yoga and bicycle spinning classes. We arrived at

the decision that offering women “PRIVACY” was not enough to compete with large, co-ed clubs who offered more equipment, more programs and more services.

We went back to the planning mode and decided on the following:

1. We would make the club much larger in order to spread payroll over a larger membership base. We started in 1985 with 3,000 square feet and today we have 18,000 square feet. It takes almost as many employees for a 3,000 square foot club as it takes for an 18,000 square foot club. With a larger club, we can serve more members.

2. We would offer MUCH more equipment including MANY treadmills, ellipticals and bikes, both upright and recumbent. We would offer steppers and climbers and enough cardio equipment that no woman would ever have to wait for a machine. We decided to add MUCH more strength equipment and to add free weights, a Smith machine, dumbbells and barbells. Probably our most important decision was to add personal training. We now have 6 trainers and all of them are very busy. Women need help in their training, and they will pay for a trainer if they get results.

Also, we decided to add many special programs. We have yoga, Pilates, Allegro, spinning

and self-defense classes to supplement our group exercise. We also offer mind-body classes, and we offer Feldenkrais classes. We have studios for most of the programs like Pilates or Allegro and Spinning. We give the women a chance to get a great workout in either a studio or on the cardio floor or the strength area of the gym.

To support these workout facilities, we have a very private salon that is quite restful and a joy to use. There are tanning beds (much to the displeasure of my RN wife), massage rooms, facial rooms and a quiet area to just relax. We sell a membership that includes 1, 2 or 3 massages a month as well as full use of the exercise facilities. We also offer a luxurious locker room that any upscale country club would be proud to offer. The locker room has a Jacuzzi, a sauna, a steam room and a vanity with a full compliment of things women use to make themselves beautiful. We also offer an array of personal items for women in the locker rooms. We offer the privacy of a women’s-only environment AND – any equipment, program or service a co-ed club might have.

These extra special facilities are supervised by an experienced staff of female employees who go out of their way to make sure our members
 (See *Women’s Only* Page 22)

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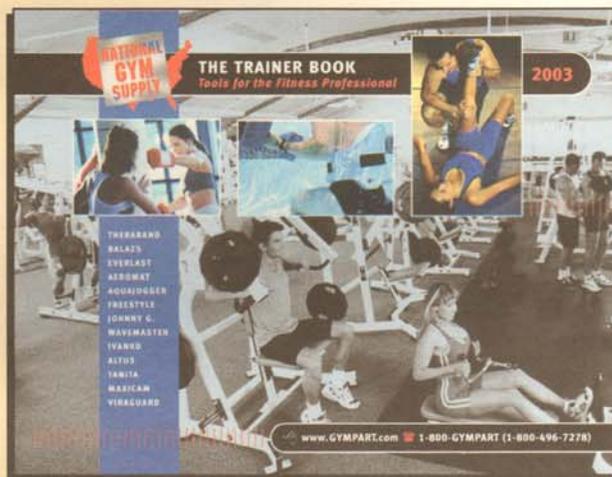
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“Sleeping With The Devil” - A Book Summary

By: Norm Cates, Jr.

“Sleeping With The Devil” - Here is my much delayed, but promised, book review on the book entitled, “Sleeping With The Devil” by SUZANNE FINSTAD. The book chronicles the escapades of one RICHARD MINNS, a.k.a. DICK MINNS in Houston, Texas back in the late 70's and early 80's. Dick Minns is the health club industry's #1 Fugitive and has been on the run for 20 years now. In brief here, the author gave an in-depth report on Minns' background. Minns had become involved in the health club industry because he owned an advertising company and received ownership of three clubs in settlement for fees owed to him. Minns met

a beautiful young lady, BARBARA PIOTROSKI, on a Colorado ski lift and proceeded to fall madly in love with her and she fell in love with him. Over a period of time, she learned that he was still married, when he had previously led her to believe he was not. Their relationship became rocky and she moved out of an apartment they shared, taking all of what she believed were her possessions with her in the middle of the night. Minns brought charges against her claiming she had stolen items that were his, but she stated that he had given the items to her years before. Because of his local pull with politicians and police, Minns made her life miserable with his theft charges against her. But, that wasn't the worst thing

that happened. One day, Barbara Piotroski stopped at a neighborhood donut shop at about 5:30 a.m. in the morning and was shot in a failed attempted murder. She did not die, but was paralyzed from the waist down and bound to a wheelchair. They captured the two people involved. And, through a long drawn out investigation lasting several years, it became more and more clear that Minns was involved in hiring, through others, the gunman and getaway driver. But, the Houston Police

failed to bring charges against Minns. But, Minns was definitely feeling the heat and apparently decided he was not going to stay around to find out if the Houston Police were going to charge him. He fled the country and Minns has not been seen or heard from since. (Except by a couple of people that swear they saw him water skiing on a Texas lake a few years back.) Minns remains a fugitive until this day and my guess is that the statute of limitations continues to run on the attempted murder. So,

although Minns is now age 73, it is very probable that he won't show up in the United States anytime soon. He had reportedly transferred millions out of the country before he left, so I am sure he is happy and living very comfortably. STAY TUNED!

(Norm Cates, Jr. is the Publisher of The CLUB INSIDER News. Cates is a 30-year health, racquet and sports club industry veteran. Cates may be reached at: (770) 850-8506 or at: clubinsidernewsmindspring.com)

FRIDAY REPORTS

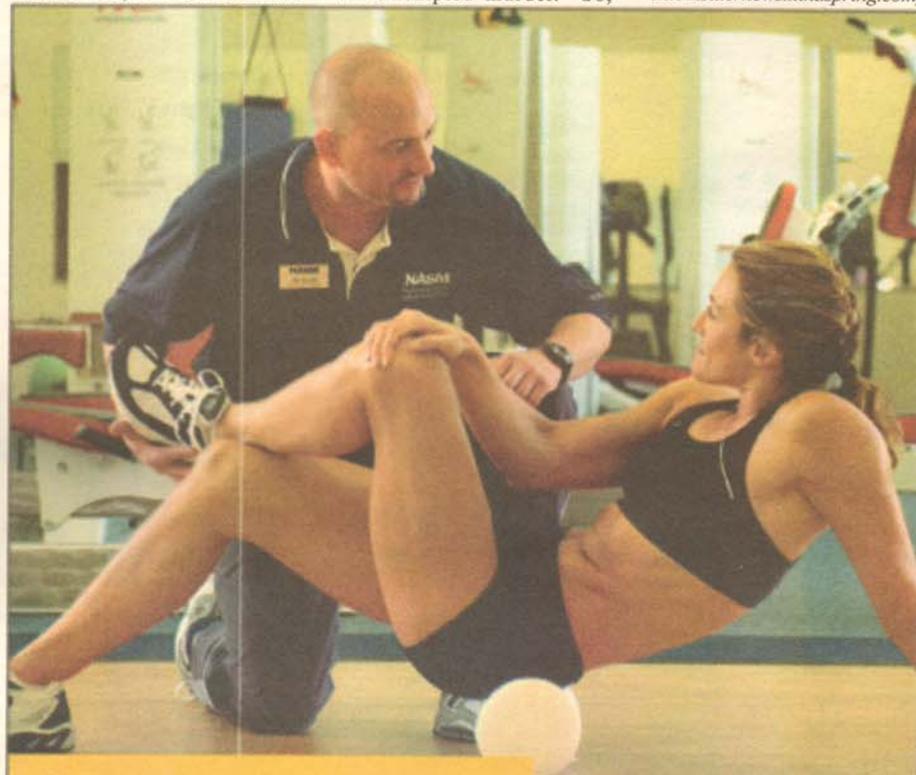
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ActivTrax

...Women's Only

continued from page 18

get results and that they do what they joined the club to do. Our manager has more than 25 years working in a "women only" environment. Many of her staff is also experienced in women only clubs. The staff is dedicated to the concept of women only clubs for women to get the best results.

Our front desk staff selected for their friendly, outgoing personalities. They greet all members with a warm smile and a friendly "hello". The members are provided with towels and locker keys on arrival and a friendly farewell on departure. Many of our members have been with us 12 to 15 years, from our small aerobics club to our full-service club now. Several of the women tell me they are alive today because of our women's-only club. Many ladies are afraid to join a co-ed club, and if we were not offering a

women's-only service, they would not be in a club and possibly deceased. It is hard for an older woman to acclimate to an environment of slim young people.

We offer a wonderful, large child care facility to women with kids under 6 at no charge. The child care is part of the dues we charge. The kids love our child care, and any mother with young kids will be very happy in our service-oriented club with great facilities for kids. We will be changing the name of this service to "KIDS CLUB" as our staff does much more than baby-sit.

Privacy is our #1 service, closely followed by a full array of cardio equipment, strength machines, and studio for spinning, Pilates, Allegro, yoga, self-defense and a salon second to none plus a locker room that is outstanding. We also offer an in-house weight loss program that has great potential for member retention.

With all this, we feel we

can attract members who want the best club at reasonable prices rather than a small, bare bones club with no cardio, limited strength equipment, no locker rooms and no childcare. The bottom line is: offer service, lots of equipment and an environment conducive to staying on a program that will get results. I am afraid that, in a few years, these new express women's-only franchises will be closing as fast as they are opening today, just as the spas of the '70's did.

We expect to open MORE of our concept of full-service, women's-only clubs in the near future. After almost giving up on the concept of women's-only, I am now invigorated by our success, and the size of the women-only market. We are convinced that women will go for quality in a club and will pay for services in a quality facility if they are getting results and achieving their objectives. We do not worry about the bare-bones franchise facilities. We



The Women's Club - San Diego, California

believe we have finally created the right format for women-only clubs and our membership proves it. We will stay in the women-only market with our concept of privacy and full service for women.

(Cecil Spearman is a 30+ year

club industry veteran. He owns the Laguna Niguel Racquet Club in Laguna Niguel California and The Women's Club in San Diego. Spearman was the President of IHRSA and was honored by the Association with its Distinguished Service Award in March, 2000.)

...IHRSA Convention

continued from page 12

resurgence in America. During his tenure, the city introduced and successfully implemented innovative strategies for reducing crime, reforming welfare, encouraging economic growth, and improving the overall quality of life in New York. Following the terrorist attack on September 11, 2001, Giuliani offered strength and stability to a shocked and saddened city and nation at a time of great uncertainty. His inspirational memoir, *Leadership*, is an international best-seller.

Daniel Goleman, Ph.D., Co-Chairman, The Consortium for Research on Emotional Intelligence "Emotional Intelligence"

Daniel Goleman is the author of *Emotional Intelligence*, a New York Times' best-seller, and the recipient of numerous awards. He has been frequently honored for his writing achievements, earning two Pulitzer Prize nominations for his articles in the Times, and receiving a Career Achievement award for journalism from the American Psychological Association. In recognition of his skill at reporting on the behavioral sciences for the general public, he was elected a Fellow of the

American Association for the Advancement of Science.

Bill Novelli, Executive Director, CEO, American Association of Retired Persons (AARP)

Bill Novelli is the chief executive of AARP, a membership organization that represents the interests of more than 35 million people, age 50 and older, approximately half of whom remain actively employed. A non profit, nonpartisan association, AARP is active in every U.S. State and territory and provides a wide range of services; it offers information and resources, lobbies on legislative, legal, and consumer issues, and helps its members serve their communities. AARP celebrates the belief that age is just a number, but that life is what you make of it. Novelli joined AARP in 2000 as the associate executive director or public affairs.

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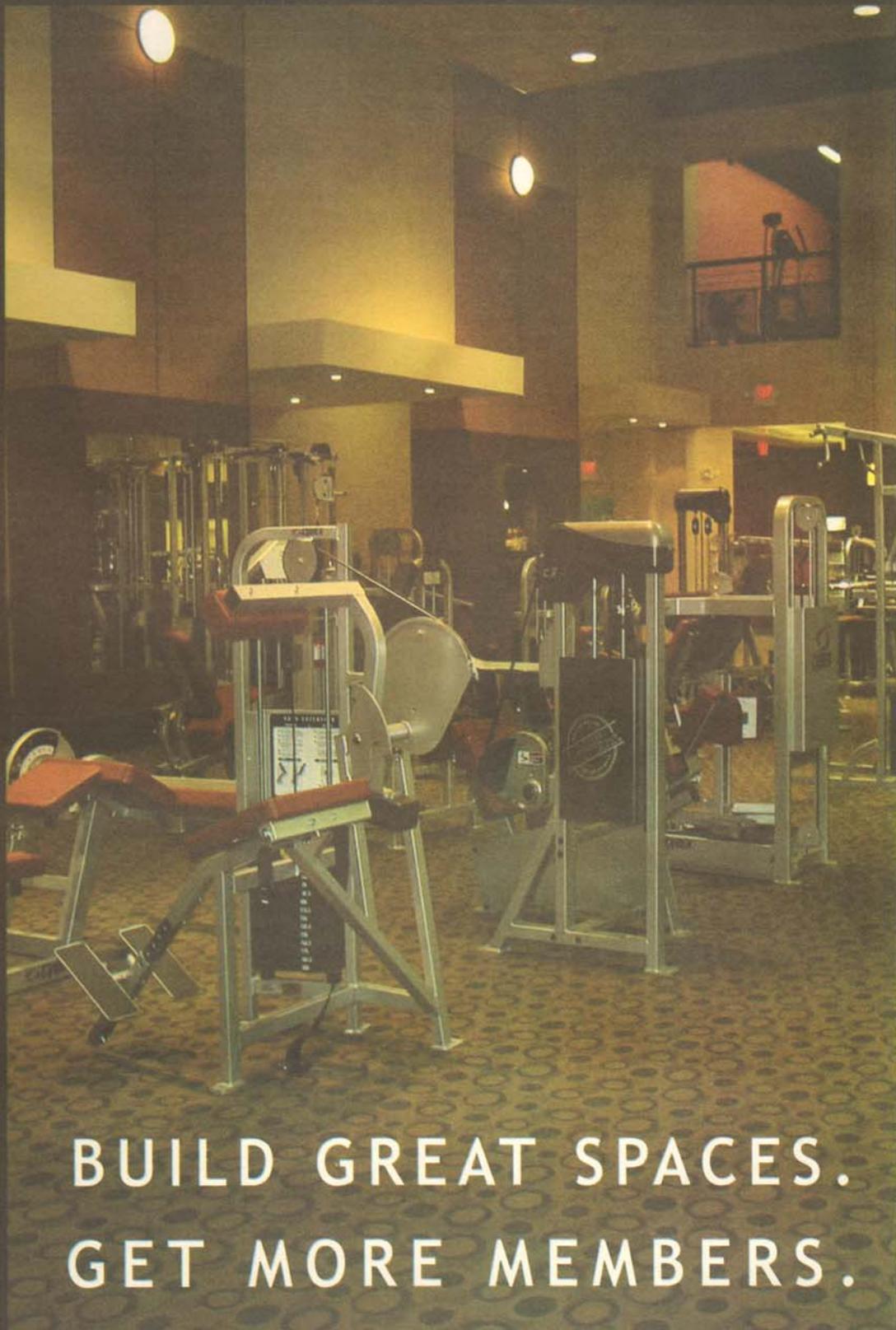


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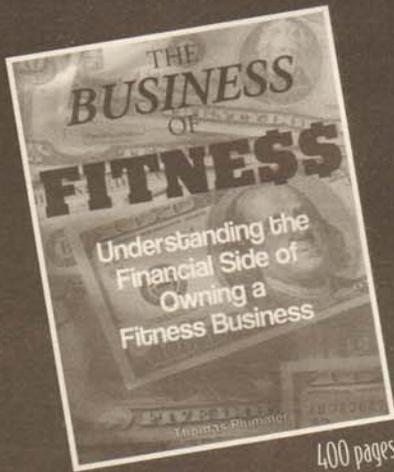
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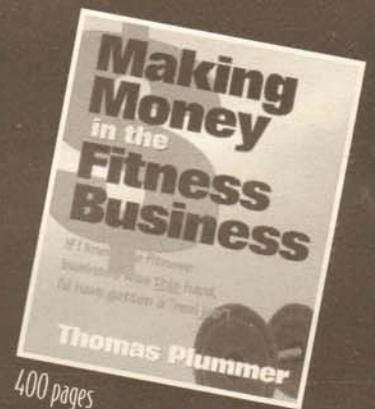
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...World Gym

continued from page 8

business. He had sold out his Gold's Gym interest in 1970 and he opened his first World Gym in Santa Monica in 1976. Arnold and Franco had urged him to open up another gym. They wanted a place to train and they wanted his equipment and they wanted all of the guys together. Many years before when we had first met, Joe had asked me some questions about what he had done when he had sold his original Gold's Gym. He had signed an agreement that he would never open up another gym in the United States. I told him then that the agreement was illegal and if he ever wanted to open again, just do it and call me. He said he appreciated that advice and told me then that if he ever did open up another gym that I would have a lifetime membership for free. Well, he opened the gym and by that time I had forgotten about what he had said. I worked out at his gym one day and the next day I brought my money. And, when I gave it to him he threw it back at me and said, 'You don't remember the conversation we had in 1972 when I said if I ever opened up another gym, you'd have a lifetime membership?' Joe had a very good memory. He is a very honorable guy and is probably the most honorable guy I've ever met.

Q. How did the World Gym franchise program get started?

A. What happened was in 1976, early 1977, that gym became outrageously popular. Everyone in the world wanted to train there. On Saturday morning it was like the United Nations! People from all over the world would fly in to come to the World Gym and see these guys training. So, Joe started to sell t-shirts that said, "World Gym." If you wore that t-shirt, it said something about you....that you knew where to go. Within a year or two from there Joe came to me and said, 'Mike, do you think other people would want to be associated with our team?' I said I honestly think that they would respond to it. We made a handshake deal. He put me in charge of it and we got started. That was 1980 and it was successful from day one. We started franchising in 1986. Joe had a very close relationship with Arnold and Joe Weider. And, Joe Weider wanted to take photos in the gym and in

exchange, Joe always promoted World Gym and gave Joe a free ad. When we put the ads in, which were really making people aware that they could buy the World Gym t-shirt. We also put a little note down at the bottom that if you were interested in buying a World Gym license, call Mike Uretz. I actually had to move my office because the phone just wouldn't stop ringing with people wanting to get licensing information on licenses to sell clothes, open a gym and somehow be associated with the name World Gym.

Q. Could you explain the difference between licensing and franchising for our industry?

A. For the purposes of our discussion, the difference I am going to give you between franchising and licensing is in disclosure. Disclosure is what you tell your potential franchisee about yourself. In a license, you sell the name for designated amount of money. It is what they call an arms length transaction. When they come to you, you are allowed to assume they know everything they need to know to make a contract and you don't tell them anything. In a franchise relationship however, the franchisee is entitled to know about the franchisor. That is: Are they successful? Do you fail? What's your program. What's your training? What's your success rate? What am I going to get? What I am going to pay? Are there any hidden fees? Those kinds of questions, a lot of them relating to past performance, are the hallmarks of the franchise relationship. Other than the fact that in a traditional franchise relationship, the franchisee pays royalties which are generally a percentage of their gross. But, not in our business.

Q. So, World Gym International, Inc. is a franchise organization, correct?

A. World Gym is a Federally-recognized, State-approved franchise throughout the United States. The only thing we don't do is we don't charge percentage royalties of our gym owners. They pay a flat fee every year.

Q. So, World Gyms is a Federally-recognized, State-approved franchise organization. At what point did you transition the program from licensing to franchising?

A. The process started in 1985

and was completed in all the states by 1987. And, I might add, we were the first of any of the large gym groups to complete the franchising requirements.

Q. How did that process go? Did you launch the Franchising as you completed state by state?

A. Yes. But, in the interim, what I did was prepare and circulate a Federally Registered Franchise Offering Circular and even before we were required to, we sent out that Federally Registered circular. I did that because I wanted people to know who we were... the good, bad and indifferent.

Q. So, basically, you were really moving, even while licensing, into a far greater disclosure, than what was required by law as a licensor?

A. That's right.

Q. How is your franchise sales department set up?

A. We have no salesmen. We also don't do any recruiting or traditional advertising to attract prospective franchisors. We rely on word of mouth. It has always worked very well. We want people to come to us rather than us recruiting them off the street because people who come to us are committed already. If you talk someone into something, the chances are you will have someone who is not happy somewhere down the line. For the most part we have very satisfied franchisees because they were committed to the program before they got on board.

Q. What role did Arnold Schwarzenegger play?

A. Arnold, from day one, was the biggest supporter of World Gym. Everywhere he went he wore a World Gym shirt. Every time he traveled he worked out at a World Gym. Every time he had a chance to talk it up he would talk up World Gym. I can remember back in 1986 Arnold called me and Joe and said, 'Hey, you guys, I'm having a private screening of my new movie and I want you guys to come with me.' We went down there to see the movie with him. The movie was called "Running Man." In the beginning, within two minutes from the roll of credits he comes out of a mist and Arnold walks out wearing a cut-off World Gym sweatshirt. That's the guy Arnold is. The phone was ringing off the hook because people wanted that shirt! He was and is Joe Gold's

biggest supporter. A one man public relations phenomena.

Club Insider News- I just hope he wins the election!

Mike Uretz- I think he will! There is one thing about Arnold that many people don't know and he showed Ariana Huffington, and that is he is amazingly quick on his feet. You send him a zinger and you'd better be ready because you will get back a whole slew of arrows!

Q. Mike, please describe the process a prospective Franchisee must complete to become a World Gym Franchisee? What happens when a person contacts you on the phone?

A. Well, to show you how things have changed, many of the people don't contact us on the phone. They contact us on the Internet. They go to: www.worldgym.com and they can do the entire application process initial phases online. They submit an initial application and my staff reviews it. Obviously, there are some people that do not qualify. For those that do we ask them to provide financial and personal information which we review. If we find the personal and financial information to be acceptable, we have a quick phone contact and then we send them our franchise documents for them to review with their financial advisers or lawyers. We want to know that they have proceeded along far enough that they have designated an area where they would like to be, that the area is an area in which we can grant a franchise, and we want them to understand what the expectations are contractually. So, once they've reviewed everything we talk business.

Q. What would the ideal World Gyms franchisee prospect profile be?

A. The ideal prospect has: **a.** successful business experience; **b.** some interest or experience in fitness and **c.** the wherewithal or the ability to attract the wherewithal to open a first-class facility. That's our ideal.

Q. What is the financial picture a prospective World Gym franchisee must have to qualify?

A. There is kind of an ideal financial picture, but it's never that way. We have to make judgment calls. These people are going to have to spend a minimum from \$300,000 to

\$350,000 all the way to up to a couple of franchisees that have spent \$2.5 million. In between falls the gray area. And that is that we have to make judgment calls. One guy will have an impeccable financial statement, but no experience. Another guy will have a lot of experience, but will fall short on the money. Does that mean they shouldn't have the money to use their entrepreneurial skills and get in business? I don't think so. We will err on the side of taking a chance on someone. You feel it. Remember, they don't come to us because we have had splashy ads everywhere in the world. They come to us they have an interest and they've heard about us from people that have done successful business with us. And, they are entrepreneurs. They are more committed to getting things done and coming up by their bootstraps.

Q. Who within your organization actually meets the prospective franchisee?

A. Invariably, they will meet me and Karin Michael, our Franchise Administrator and Joe Gold.

Q. I bet it is a thrill for them to meet Joe Gold! How is Mr. Gold doing?

A. It is a thrill for them to meet him. He is in a wheelchair due to his back injuries from World War II. But, it doesn't stop him. He goes on. When life gives him lemons he makes lemonade every time!

Q. One you have approved the Franchise, what happens?

A. They sign the contract and send it back to us, we sign it, send them a copy and we're in business.

Q. What is the initial Franchise Fee and the monthly payments?

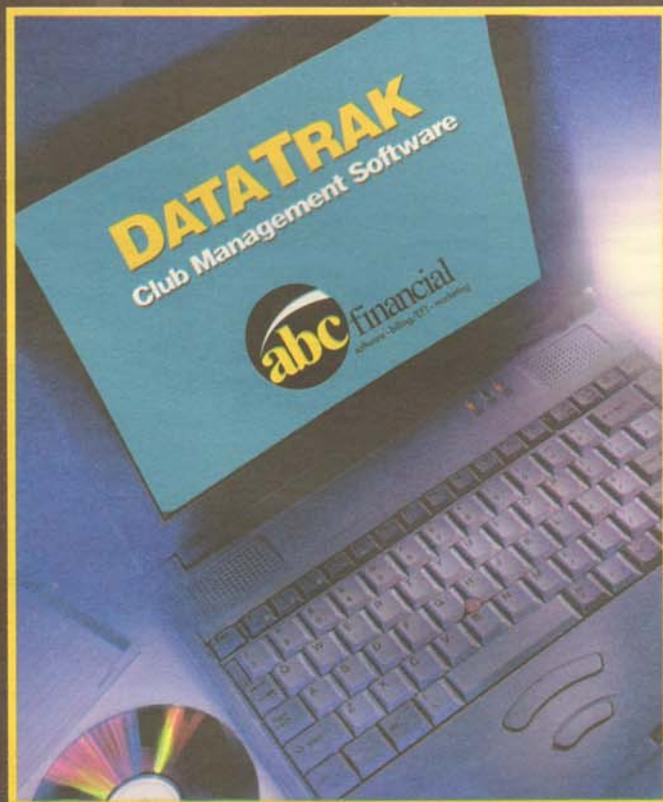
A. The Initial Fee is \$13,000 and the renewal fees are \$7,000 a year. Generally, the renewal fees are payable monthly. You can pay it all at once or you can pay it monthly by EFT.

Q. Once they've signed the contract and are accepted, what kind of assistance do you provide to them for facility design and specification, equipment layouts, etc.?

A. We have a preferred vendor program. These are people that have been time-tested with us in terms of doing a really good job
(See World Gym Page 28)

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...World Gym

continued from page 26

for our world gym owners. For example, for demographics, where to locate the gym, how to negotiate the lease, we have a business profile program that was designed by one of our owners, Chris Babini, of Rochester, Michigan. For negotiating a lease, doing a demographic analysis, we have National Site Selection Services by Daniel Kraft. In the area of design, we highly recommend Rudy Fabiano.

Club Insider- Yes, Rudy does terrific work. I call Rudy "Fabulous Fabiano!"

Uretz- Rudy's design work is fabulous!

Uretz continues - We have a range of equipment vendors who have been with us generally, for many, many years. They've done a great job for our clubs, they've shown the ability to work with our club owners successfully, and they make us look good.

Q. Does Daniel Kraft's National Site Selection Services cost your Franchisees additional fees?

A. No. He charges the landlords fees for site selection and placement, but that is between Daniel and the landlords and is not added on as an extra charge to be paid by the franchisees.

Q. What kind of pre-opening training process do you put the Franchisee through before opening?

A. Our training program takes place three times per year, generally once in the East, once in the Southwest and once in the West. We're very proud of the fact that we have very successful World Gym owners teaching new World Gym owners how to do it the World Gym way. Michael Scott Scudder is the coordinator of our World Gym University program and has been for the last 9 years.

Club Insider- Michael Scott Scudder is a gem of a guy and I've grown to really respect and appreciate Michael over the years!

Mike Uretz - And, he loves you, Norm! You guys have a mutual admiration society.

Q. When your new Franchisee is under construction, do you have a standard pre-sale operation you teach and recom-

mend?

A. We don't have a standard pre-sales operation, but we do require that any presale can take place for no longer than 90 days from the date of the Grand Opening and that all money has to be placed in a secure escrow account and can't be spent until opening day. We do require it to be escrowed and proof be required of that.

Q. Do you provide a suggested World Gym pricing recommendation?

A. We believe that the lowest amount, the floor, should be a minimum of \$34 per month and an Initiation Fee of between \$75 and \$150. That way, they're making a commitment for themselves.

Q. Do you teach your Franchisees about EFT collections, etc.?

A. I think EFT collections is the single most effective financing tool ever invented for the gym owner. We strongly recommend EFT to our Franchisees.

Club Insider- Yes, I agree. It is really important. One of the things our industry needs to do is to protect EFT and make darn sure EFT doesn't get screwed up by politicians!

Mike Uretz- Let me tell you, if we're not careful, we're going to allow these legislators and bureaucrats to kill the goose that laid the "Golden Egg". Automatic EFT annual renewals that kick in after the first one or two years of a membership agreement are going to get us all in trouble! These kinds of rollover contracts take a member into another year totally unbeknownst to them at a time in which they don't even realize that they are still a member of the club. It causes HUGE resentment!

Q. Haven't there been things going on in the California Legislature about eliminating rollover contracts and maybe even EFT?

A. Not only in the California legislature. Its going on in many, many legislatures! And, we're going to be in a position where it will kill EFT if we are not careful!

Club Insider- Well, if any legislature in any State in the union succeeds in killing EFT, it will kill 20% of the clubs in that State overnight!

Uretz- I think it is even higher than that. You're right. It is at

least that high.

Club Insider - Mike, you ought to write an editorial article to be published in The *CLUB INSIDER* News about that very subject.

Uretz- I would definitely do that because we are going to kill ourselves with government regulations if we don't begin to regulate ourselves. And, let me tell you the simple way in dealing with these states. If we would go to them before they come to us, they are so much more easy to deal with then. I learned that when I was going through all this when we were getting qualified for Franchises in all the States. The easy way to do it is to go to them and say, 'Fellows, AM I? ARE WE? If we are, we want to abide by the rules. If we're not, let me know. Well, they were thrilled that we came to them.

Club Insider- Heck yeah, it makes their job easier!

Uretz- Sure! But, when they have to come at you when they've got 28,000 mad people out there screaming and yelling at them that they are being cheated, then their attitude is totally different.

Q. We've got to get that article written and published for the health club industry. So, my next question is: Once they are in business, do they have to send reports to you all for monitoring?

A. Oh yes. Absolutely. Number one they must submit any and all marketing materials to us for approval. If it's not up to snuff, we'll kill it. Also, on an ongoing basis, if they have any changes to the contract we've already approved, they have to submit it to us before using it. On an ongoing basis we have periodic, unannounced inspections. We are not looking to get rid of gym owners. We are just asking them to improve.

Q. Speaking of the contract, on a typical contract, say for the State of Georgia, does the typical World Gym owner get help from you to construct their contract, or do they have to hire counsel to produce it or do they try to do it themselves?

A. All three. We help them and they use counsel and they do produce them as well, because the laws in each state are different. We have a general guideline that we give them, but we always tell them that they must comply with State laws fully.

Q. How many World Gym Franchisees do you have now?

A. We have 309 franchises and there are over 100 people who own more than one World Gym. We have 272 gyms in the U.S. 37 gyms outside the continental U.S. But, let me be clear. I count as a Franchise anyone who is open or who has fully paid and is in the process of opening. There are over 50 in the pipeline. We're having the best year ever.

Q. Do you have goals for say a 5-year target?

A. Let me say this. The gym business as I know it has morphed in five-year stages in ways that I would never put down as being possible in 5 years. Look at Curves, for example. You've gotta be nimble in our business. And, you've gotta cater to the taste of your clientele. So, my 5-year plan is to open quality fitness centers that fit our customers. Just bare numbers do not tell the story. It's the numbers of clubs that are actually successful in servicing their demographic area. For example, in the last year and a half we've come up with World Gym Express that fits real well in a secondary market or in a real expensive downtown area where real estate is super pricey. The prime reason people join a club in these days is because the clubs are service oriented and the clubs are close to where they live.

Q. What is the profile for a World Gym Express?

A. They are under 8,000 sq.ft., have a quality circuit training line and heavy cardiovascular equipment. What we've designed is what Joe Gold and I call the "45 Minute World Gym True Fitness Experience"™, as opposed to some other claims. You can actually make gains with proper nutritional guidance and a faithful program utilizing the Joe Gold "45 minute True Fitness Experience".

Q. You didn't mentioned any free weights?

A. They will have some quality dumbbells and barbells, but the emphasis is on the circuit training in an accelerated guided pace and real cardiovascular training where they are going to get a bit of a sweat going.

Q. Pricing wise, where is the price point for World Gym Express?

A. \$34 per month. Keep in mind, they are getting a complete gym in a more express package where

they can get in and get out. But, the experience is a workout on first class gym equipment, as opposed to tinker-toy equipment like some offer.

Q. What PR efforts do you all support at World Gyms?

A. I am a big supporter of the Boys and Girls Clubs of America. And, Joe is a big supporter of Veterans and Veterans organizations. He is a great American War Veteran.

Club Insider- Well, I thank God for all Veterans of Wars that served our country, including Joe Gold and my Dad, Norm, Sr., who served in both World War II and the Korean War. Thanks to both of those great men and all of their fellow troops.

Q. Mike, is there anything else I may have failed to bring up that you would like to share with our readers here? (Author's Note: this comment was made by Mike Uretz before he had received and read the September, 2003 edition of The *CLUB INSIDER* News. In that edition, the legendary Ray Wilson made essentially the same important points in his letter to the entire health club industry. And, in the Cover story we did a year or so ago on the great Thomas Plummer Company, Plummer sounded this same alarm for all to hear. Great minds do work alike.)

A. Yes, Norm. There is one thing I do want to say. That is that I think you are on the right track and I hope I am, too. We've got to service all these people with what THEY want. There is an obsession on the big corporate end of the club industry with building big boxes. That's the answer to everything. And, its not true. People vote with their feet. As you know and have pointed out, there is 87% of the U.S. population that does not go into a gym. Is that because they never will work out? NO! Its because we're not giving them what they want. I think part of what they want is a smaller, more intimate club, where they are not intimidated, which is priced sensibly and is very convenient. Does that mean that there is no place for big box clubs? No. There is. But, is a big club the answer to all fitness needs? No way.

Club Insider News - That is hitting those that are the thinking that all of those 24 Hour Fitness Big (See *World Gym* Page 29)

...World Gym

continued from page 28

Boxes, LA Fitness Big Boxes, hell, the Lifetime Fitness Big Boxes, (big 110,000 sq.- ft things), etc. etc., are the answers to that 87% of the U.S. population are off the mark.

Mike Uretz- The thing is, and you do this Norm, we want to honor the past. We want to honor our industry pioneers, we want to learn from what they have done both right and wrong and we should improve our industry from their experiences. The guy that I am in business with, Joe Gold, is the antithesis of public relations. And yet, because of his dedication to our little world, his name and the named he

created, World Gym, is on over 1,000 health clubs. And, all he ever wanted to do was build equipment and tinker around with it. Its an amazing business. And, its populated with amazing people.

Club Insider- The thing about our industry is that it's a really, really good business for people. It's good for their families, it's good for their kids, it's good for their communities. I don't know of any business in America that is better for our country than the health club business.

Uretz- People ask me, 'Mike, why did you even take a chance on this thing when you were a lawyer and had a busy practice.' I tell them that when you are a lawyer,

you're dealing with people's problems all day long. The most you ever do is you kind of get them back to even, maybe. They really don't appreciate it anyway, because they think you are trying to skin them and they could have solved it themselves, etc. Well, contrast that with the business I am in. I am in the business of putting people into business. They're happy. They're going into business. They appreciate what we are doing for them. It is a wonderful feeling. The business that they are going into is helping people make better lives for themselves and their families. It's a no brainer for me!

Q. Mike, do you introduce IHRSA and suggest to your World Gym Franchisees that they be a part of that great organization?

A. Yes, we're not only involved in IHRSA, we are big-big supporters of IHRSA. I

passionately believe in that Association. Not only do we introduce our Franchisees to IHRSA, we pay 40% of their membership just to help get them to join. We feel that IHRSA membership is that important for all club owners in America.

Q. Mike, can you explain the differentiating factors between your World Gym organization and Gold's Gyms and Powerhouse Gyms?

A. This is going to sound like a mealy mouth answer. I can't differentiate between World Gyms and Gold's or Powerhouse because I don't know the internal operations of their organizations.

What I can say is that we have a first-class quality product and our gym owners are service oriented and dedicated to servicing their clientele. It sounds bad, but I honestly don't

know the internal workings of our competitors. I really don't. We're on our toes and we're always mindful as to what is going on. And, frankly, I don't look at Gold's or Powerhouse as our only competition. We compete with Bally Total Fitness, 24 Hour Fitness, LA Fitness and a huge bunch of others too.

(Norm Cates, Jr. is the Publisher of The CLUB INSIDER News. Cates is a 30-year health, racquet and sports club industry veteran and was the 1st President of IHRSA and a co-founder of the Association in 1981. In March, 2001, Cates was honored by IHRSA with its highest award, the DALE DIBBLE Distinguished Service Award. Cates's Club Insider News celebrates its 10th year of publication this month with this October, 2003 edition. Cates may be reached at: (770) 850-8506 or at: clubinsidernews@mindspring.com)

Norm Cates' Club Insider NEWS

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...Norm's Notes

continued from page 5

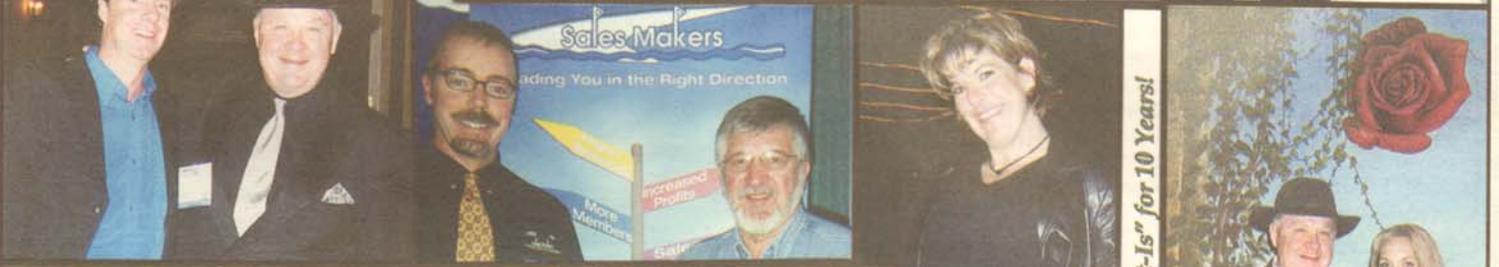
opposition from the community. **Stay Tuned**

● **WOW! Workout World**, the Brick, N.J.-based club company, has announced that it has signed a franchise and area development agreement with **Velocity Sports Performance**, a specialized sports training company based in Alpharetta, Georgia. WOW! Workout World now has 7 company owned locations and 24 licensed facilities.

● **The Sports Club Company** announced on October 13th that it has agreed to set aside its previously announced intention of "going private". This news follows other news that 2004 may be a big year for companies in our industry to go public. Word is there could be a series of big players making public offerings including possibly, **LifeTime Fitness** in late Spring, 2004. Speculation is, if that happens, TSI may go public in the fall of 2004. And, by the end of 2004 or early 2005, our source says both **24 Hour Fitness** and **LA Fitness** might go public. **STAY TUNED!**

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

Club Industry 2003 Fun Photos!



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